



APRIL, 1982

automotive executive

PUBLISHED FOR AMERICA'S AUTOMOBILE AND TRUCK DEALERS

AE TALKS TO
FORD'S
CALDWELL
Page 14



SPECIALTY VEHICLES:
RINGING UP NEW
OPPORTUNITIES



Bitter.

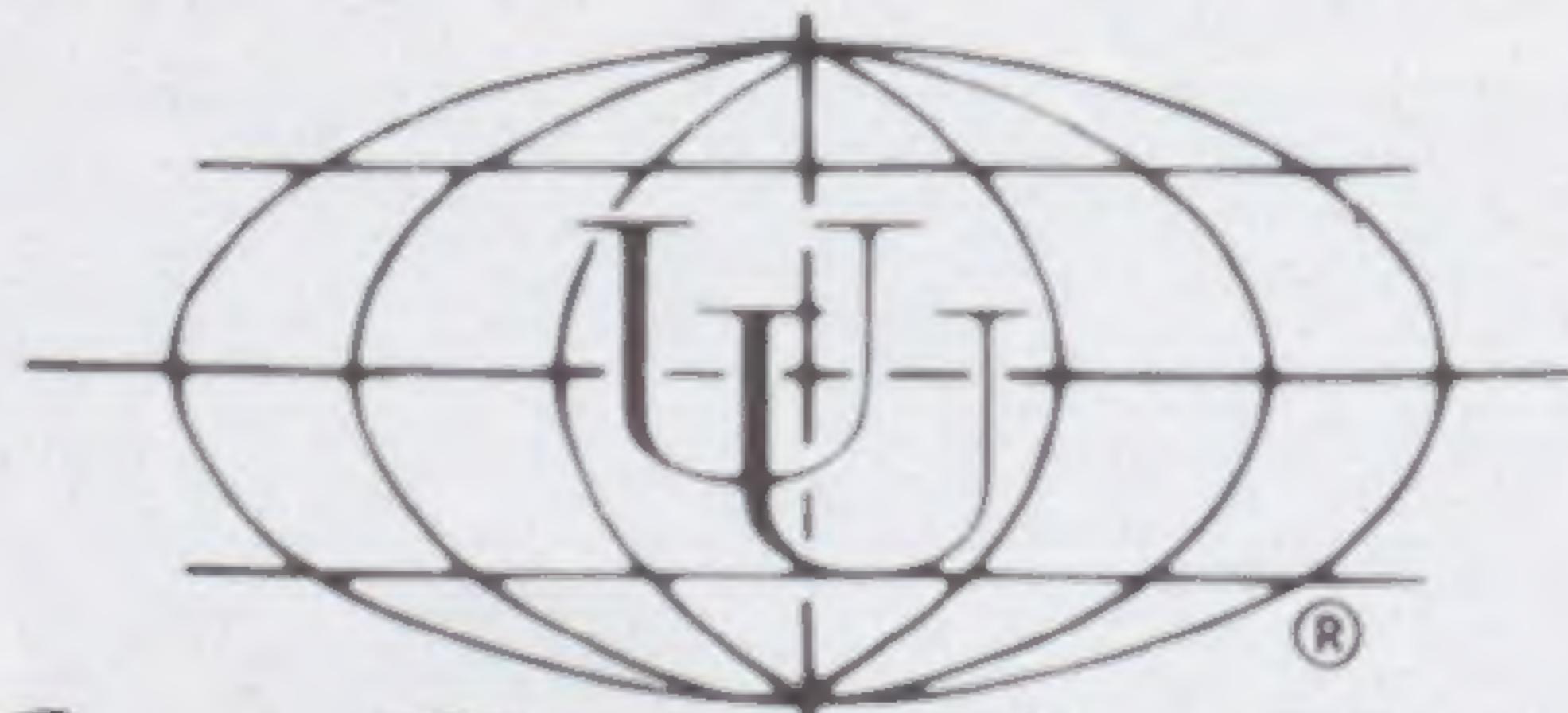
The lemon car. Sooner or later every dealership ends up selling one. And although the automobile's sour performance is rarely your fault, a dissatisfied customer could take you to court. And squeeze your dealership for a lot of money.

But not if you're protected by The Specialist. Unlike most garage liability policies, Universal Underwriters covers your dealership for defense costs in suits filed by customers

unhappy with their automobile purchase. Plus, Universal covers you for defense costs in lawsuits brought against your dealership because of dissatisfaction with a repair or service job.

Broader defense coverage. It's just one more reason why Universal Underwriters has the most complete dealership coverage money can buy. Call 1-800-821-7803 toll-free today for more details. Ask for Marsha Thompson.

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COMMENTARY



As we enter the traditionally strong spring selling season it's worth considering where our industry is going. All of us have realized that we are doing business in ways that we've never seen before. While we face what is perhaps the worst adversity we have ever seen for the retail automobile market, it is probably safe to assume that we also see the retail market at its most efficient ever. Expense structures are trim.

After the blood bath of 1980, we saw profitability of the average dealership improve during 1981. Dealer attrition has slowed. Average dealer profits have more than doubled from 1980 to 1981. They are still not satisfactory, but they are better.

The domestic manufacturers are better positioned today to contribute to a recovery. While still in a loss position, overall financial performance of the major manufacturers was significantly better in 1981 than it was in 1980. We are beginning to see some of the new products which have grown out of the massive capital expenditures made by manufacturers in the last few years. We are seeing labor negotiations which are unprecedented in the history of our industry. These are very positive signs.

We are making progress. All segments of our industry seem to recognize the need to view our problems in an intelligent and dispassionate manner. They seem willing to make a reasonable

cooperative sacrifice of short-term individual interests for the greater good of the industry.

In his inaugural address to the 1982 convention in Atlanta, our new NADA President George Lyles called for a "reassessment of the marketing strategy of manufacturers . . ." This could well be our most significant concern in the '80s. With the commitment of capital and effort required to run a retail automobile dealership today, there must be an attractive return available. This is something we can achieve.

Clearly, every manufacturer must look at the number of outlets which it will require in the future market. We must take advantage of economies of scale, take better advantage of existing overhead expense structures and improve profit potential. Our industry must re-examine the capital, facility and personnel requirements which have become such an important part of the franchise relationship. Comprehensive market studies should be conducted before dealer points are filled.

Additionally, every manufacturer needs to carefully assess its position with regard to the dualing franchises. The last few years have reminded us that the automotive market is a fickle one. The rush to small cars during the first oil embargo of 1973 was followed by a stampede to large cars in the period from 1976 to 1978. The market then returned to small cars. And now, dealers tell us that

full-sized cars are again becoming a consumer preference. To maintain a reasonable chance of success in our business, the dealer must have products which meet a variety of consumer preferences. Dualing of franchises is just one answer to that.

As we move ahead, we need to learn from the mistakes of the past. If 1980 and 1981 taught us nothing else, they should have taught us that a string of hastily designed rebate programs and special incentives following one another without a plan is not the answer for the industry. We have trained customers to delay their purchases and to wait for the next rebate program in the hope that it will be bigger and better than the one before. We've confused our customers and caused them to delay their buying decisions. These programs are not the answer to what is commonly called "sticker shock."

Manufacturers and dealers must together consider how we will sell cars in the future. We need to market products that are desirable to the public at a price that the public can afford. That is a tall order, but it is one that we must fill.

George Lyles is quite correct when he says that the time has come to reassess this industry's marketing strategy. Your association is prepared to be a leader in that effort. **AE**

Executive Notes

Camaro Z28 takes honors. The Chevrolet Z28 has won the *Motor Trend* 1982 Car of the Year award in competition with the largest field of domestic candidates in the 30-year history of the prize.

Chosen from what the editors of *Motor Trend* call the "finest field ever," the Chevrolet Camaro Z28 was termed a "thoroughly modern and well-balanced performance car . . . It could possibly be the best automobile ever produced by Detroit." The Camaro Z28 won three testing categories outright (ride and drive, styling and design, dollar value) and took second in two others (quality, passenger comfort and convenience).

Finishing second in the final results was the Pontiac 6000, with the Firebird Trans Am a close third. The rest of the pack finished as follows: Chevrolet Celebrity, Buick Century, Lincoln Continental, Chevrolet Cavalier, Chrysler LeBaron, Dodge 400, Ford Escort and Mercury LN7.

★★★

Virginia dealer wins safety award. Don Beyer Volvo Inc., of Falls Church, VA, has won the Dealers Safety and Mobility Council's 1981 Grand Award for its outstanding support of traffic safety.

The award was presented to Donald Beyer Jr., president of the dealership, during the NADA Convention. Beyer Volvo earned top honors for its notable community and customer traffic safety programs. These activities include public-service advertisements promoting better enforcement of drunk-driving laws, free safety-related customer seminars, an ongoing seat-belt awareness cam-

paign, a permanent showroom display of safety accessories, and a periodic customer newsletter with safety information and service tips.

Other dealerships recognized at the convention for their safety efforts were Sport Chevrolet, Silver Spring, MD; Red River Motor Co., Bossier City, LA; Renn Kirby Pontiac, Frederick, MD; Newman Ford Sales, Salem, NH; Moody's Inc., River Falls, WI; Schenectady Plymouth Inc., Schenectady, NY; and Len Immke Buick and Rolls Royce, Columbus, OH.

★★★

Volvo offers financing. Volvo of America Corp. and the Chase Manhattan Bank have announced a joint program whereby Volvo dealers across the country may secure floorplanning and consumer financing through Chase. Volvo anticipates dealers' inventory financing will reach \$130 million, while retail financing could exceed \$400 million.

"Credit availability and rates have become increasingly critical elements in the automotive market," says William Hoover, marketing vice-president of Volvo of America Corp. "A successful marketing strategy in today's automotive environment must include a comprehensive financial services package."

The program will be fully operational by the second quarter of 1982, says a Volvo spokesperson.

★★★

RV publications available. Looking for some sales tools to help spur customer interest in RVing? The Recreation Vehicle

Industry Association (RVIA) has more than 35 publications available that might just do the trick. Among the booklets are "Rules of the Road," "RV Repair and Maintenance Manual," "RV Camping Guide," "Energy-Saving Tips While RVing" and "Winterize Your RV." Other publications present information and advice on buying and using RVs, RV laws, standards and safety, and potential RV business opportunities. The publications are available free or for a nominal charge in quantities up to 500. For further information, contact the RVIA, Box 204, Dept. NR, 14650 Lee Rd., Chantilly, VA 22021.

★★★

Seat belt use legislation. Michigan was urged to become the first state to adopt a mandatory safety belt use law by a Ford Motor executive speaking to the annual meeting of the Highway Users Federation of Michigan.

Will Scott, vice-president of government relations for Ford, said Michigan "should be the leader among the 50 states in taking this action to reduce fatalities and serious injuries on our highways."

Scott pointed out that "while virtually all the cars on Michigan roads have safety belts, only one motorist in 10 uses them." He cited a study by the Michigan Office of Highway Safety that estimates a mandatory seat belt use law for passenger cars "could save 300 lives per year in Michigan."

"We are not proposing a new and expensive program," Scott said. "We are proposing that people be required to use a proven safety feature—the safety belt that is already in the car."

AE



**This Sign
Shows Up In Your
Bottom Line**



Sitting on a large car inventory with today's interest rates is something no dealer can afford. Become a Baldwin-United Authorized Leasing Dealer and improve your bottom line by moving more cars. Your dealership benefits by reducing new car inventory and by receiving your cash payment right away. We forward payment in about 24 hours. When your customer leases a new car he benefits by having a lower initial cash outlay and by conserving cash with reduced monthly payments.

To find out more about how to improve your bottom line by becoming a Baldwin-United Authorized Leasing Dealer, call our Toll Free Numbers . . .

1-800-543-0369; or 1-800-582-7397 in Ohio



**Baldwin-United Leasing Company
Automotive Division
1801 Gilbert Avenue
Cincinnati, Ohio 45202**



One for all.

Experienced GM dealers know that, good times or bad, GMAC is the reliable source for all their financing needs. That goes for trucks as well as cars, for fleet as well as single sales, for renting and leasing as well as wholesale.

With more than 63 years' experience—in a business we just about invented—we have a pretty good feel for your needs. Along the way, we've extended more automotive credit than any financial institution in the world.

And by continually expanding our services into new and developing areas, we've been able to keep pace with your changing needs. So today, in just about any opportunity for sales or growth, you'll find a willing and experienced partner in GMAC, the only *one* you need for *all* your financing needs.

GMAC
THE FINANCING PEOPLE
FROM GENERAL MOTORS

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Outstanding Auto Dealer Newspaper Ads Named



7 Dandy Awards are presented to 13 dealer associations and retailers for exceptional newspaper advertising.

An Interview With Ford's Philip Caldwell



14 The chief executive officer of Ford speaks out about competition, clean air, product quality and other industry issues.

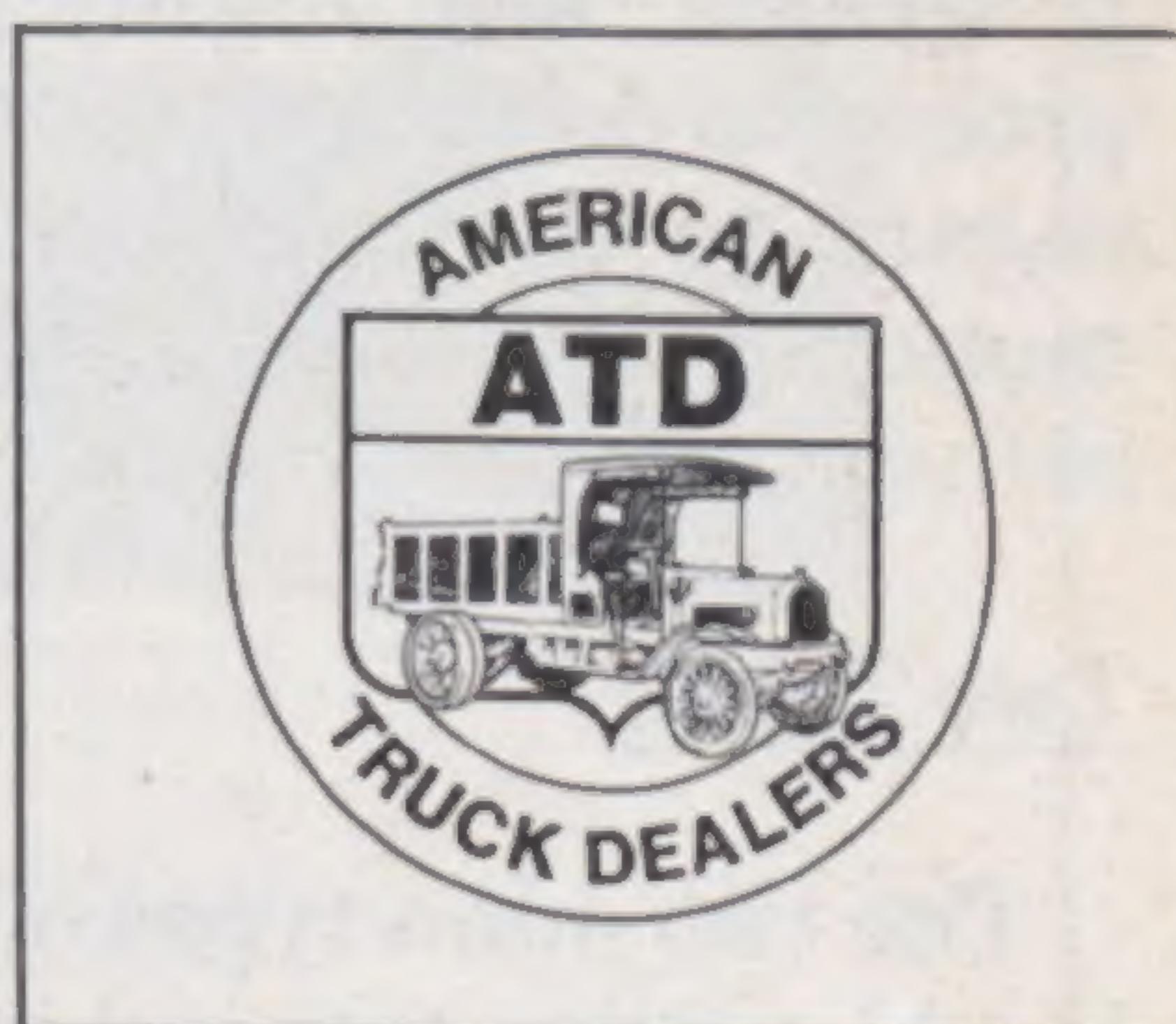
39 Dealers Combat Drunk Driving with Public-Service Programs. Audiovisual presentations sponsored by dealers are helping communities relieve some urgent safety problems—drunk driving and vehicle breakdowns.

Specialty Vehicles: Ringing Up Opportunities



19 Dealers are discovering that specialty vehicles can be effective tools for boosting traffic and sales.

"How To In '82"—ATD Presents Some Pointers



31 A host of ideas designed to make truck dealers more efficient will be presented at ATD's convention.

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MONEY SENSE

Timesharing

Resort timesharing as a real-estate investment requires careful consideration.

Resort or vacation timesharing gives you the use of a vacation home or condominium unit for a designated time each year. It is an increasingly popular way for Americans to take a vacation. According to Federal Trade Commission figures, timeshare sales have doubled every year since 1975. In 1980, total sales topped \$1 billion a year. While many timesharing programs are highly regarded, problems do occur, especially with regard to the high-pressure promotional tactics employed by some sellers and developers.

Two Types

The two main types of timesharing plans are ownership and non-ownership. An ownership plan includes title to the property and property insurance. As owner you may sell, lease, will or otherwise transfer your share in the living unit. Non-ownership plans typically involve a lease, license or club membership.

Under most ownership plans, you own your living unit only during the period of time you select. If, for example, you select the first two weeks of February in a Florida villa or a Colorado ski resort, you own your living unit every year for those two weeks for a specified number of years. Your equity in the building is usually proportional to the length of your time period. Like any owner of real estate, you pay property taxes and interest—but on a prorated

basis—and get income-tax deductions on those payments.

Profit Possibility

The American Land Development Association (ALDA), a national association of recreation, resort and residential real-estate developers, cautions investors to be realistic about the profit possibilities of a timesharing plan.

Even if your building's value appreciates substantially, for example, your interest will only be a percentage of that increase, depending on your time period.

Also, developers sometimes exaggerate the investment potential of timesharing. Remember: resale of a timeshare may be difficult. You may face competition from the firm that sold you the timeshare, or local real-estate brokers may choose not to list your timeshare. As in any real-estate transaction, you must consider closing costs, broker commissions and financing charges. In addition, your ownership may be affected by any failure of your co-owners to pay their annual assessments.

Annual assessments or management fees usually cover property taxes, utilities, furniture, upkeep and maid service, as well as property management. The ALDA reports that annual assessments currently average from \$100 to \$150 per week of ownership. Obtain an itemized cost breakdown before buying.

If timesharing is to serve as a hedge against inflation, it is important that your annual fees not rise too rapidly. Find out if there are limits on fee increases at your pro-

ject. Also, look carefully at the surrounding area and at the management company's record. Inspect the building and the facilities and talk to present owners if you can. Don't be enticed by promotional giveaways, prizes or "awards" for listening to sales presentations.

If the building is under construction, make sure you are protected against any default by the builder or the seller. Often an escrow account is established in these cases. If the building is being converted to timesharing, find out why. Did an earlier development project fail? If a building has inherent problems, such as poor location or poor design, conversion to timesharing will not improve matters.

Exchange Programs

Many people feel the possibility of exchanges of time with other timeshare owners in other parts of the country or the world enhances the value and pleasure of their investment. Exchange programs can be attractive, but you should make sure the service is not hedged in by too many restrictions, such as having to book far in advance.

Before you sign a contract or pay any fees, have your attorney review the documents. Be especially wary if you feel pressure to sign without time for consultation. And finally, because of the restrictions on timeshare ownership, remember that you do not have as much liquidity as in many other investments. As a vacation plan, timesharing has certain advantages. As an investment, its growth potential may be limited. **AE**

OUTSTANDING AUTO DEALER NEWSPAPER ADS NAMED

The winners of the 1981 Dandy Automotive Advertising Awards were announced Saturday, February 20 at the NADA Convention in Atlanta. Sponsored by the Newspaper Advertising Bureau, the ninth annual ceremony recognized outstanding auto dealer advertisements placed in daily newspapers in the U.S. and Canada last year.

Among the 13 winners receiving certificates from the 1,000-member bureau was the San Diego County Toyota Dealers, which topped the Best Campaign, Dealer Association category. Featuring the slogan "Toyota's a better buy,

Folger Buick (right) won for the best campaign in a large market. Best campaign by a dealer association went to the San Diego County Toyota Dealers (below).

"I always try
to go the extra mile,
because you never know..."



That's Don Douglas, and he's our Service Tune-up Technician.

But what's exceptional about

Don is that he's been going the

extra mile here at Folger for 31 years.

And for Don's 31 years and

44, doing a little bit more

than necessary is what we've based

our business on.

It must be working.

Our fees are prompted with notes

of appreciation from our service cus-

tomers, and some of those cus-

tomers have been with us for 44

years. All in the name of efficiency.

It means leaving beyond the extra

mile we're asked to do, and keeping

an eye peeled for other things that

need attention, or those that soon

will.

It means service personnel who

stop along the road on their way

home to help out a stranded Buick

owner.

It means Don Douglas and 40

other service personnel who try to

do the job right the first time.

Very simply, it means servicing

GM cars the way we would want our

own serviced.

We invite you to sample Folger's

"extra mile" service the next time

you bring your GM car in for attention.

We think you'll find like those

of others, that Folger can

make it a regular calling card.

We make it a pleasure.

Independence

**Super
Service**

Since 1937

We go the extra mile, so you can too.



**Toyota's
a better buy,
better
by far.**

Toyota's combine their
best gas mileage ever
with new, higher
performance.

With today's energy situation, many manufacturers are

reducing their gas mileage.

Many of this year's Toyota's have improved their

drivability and fuel economy.

But what's exceptional about

Toyota's is that they've

improved their gas mileage

without reducing their performance.

With today's energy situation,

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TOTAL SERVICE SYSTEM

Finally! At long last! A total system to give you mastery and control of your *entire* service operation. An integrated network of five major service modules fill all the gaps that have prevented dealers from achieving maximum productivity and customer pleasing efficiency:

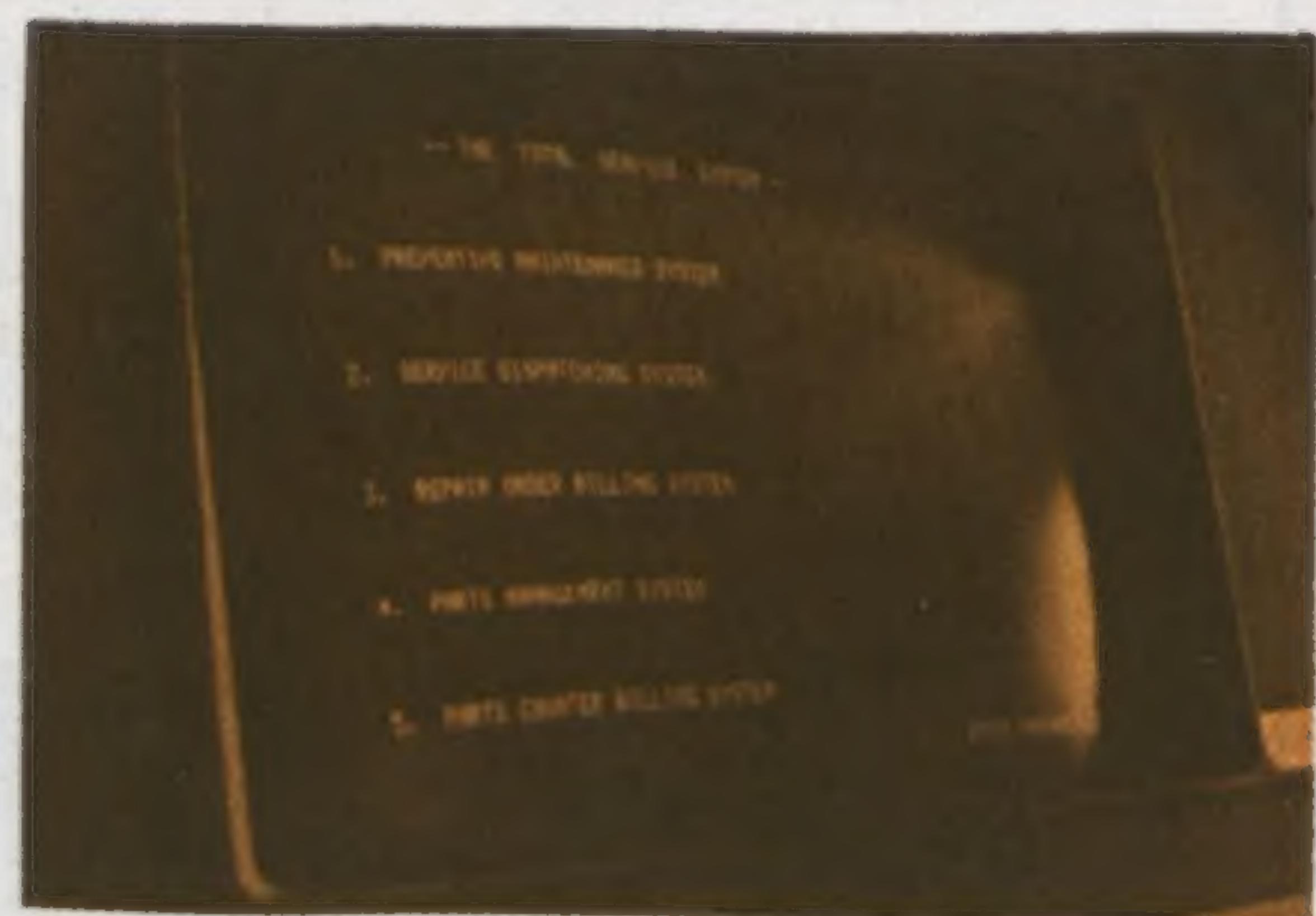
- ✳ **Service Dispatching System**
- ✳ **Repair Order Billing**
- ✳ **Parts Counter Billing**
- ✳ **Preventive Maintenance System**
- ✳ **Parts Inventory Control**

Interfacing modules may be installed separately or custom packaged according to need. For R&R, ADP or Dyatron in-house computer users, the Total Service System can be installed in a stand alone mode for the service department only. For **In*ight** users, programs may be employed either on the present system, or stand alone.

In any mode, for any dealer, the integrated Total Service System from **In*ight** is the future America's dealers have been waiting for.

*See a demonstration of the remarkable
TOTAL SERVICE SYSTEM now! Call, toll free...*
800-638-1100

NOWHERE



See us at the ATD, Booths 23-26

in*ight®

DISPLAY DATA CORPORATION

Executive Plaza IV Hunt Valley, Maryland 21031

Sales and Service Branches Coast-to-Coast

For more information or a demonstration, call toll free, 800-638-1100.

better by far," the ad was praised by judges for its "good use of white space and well-designed layout that commands a lot of attention without buying two pages."

The Ad Group of San Diego produced the design.

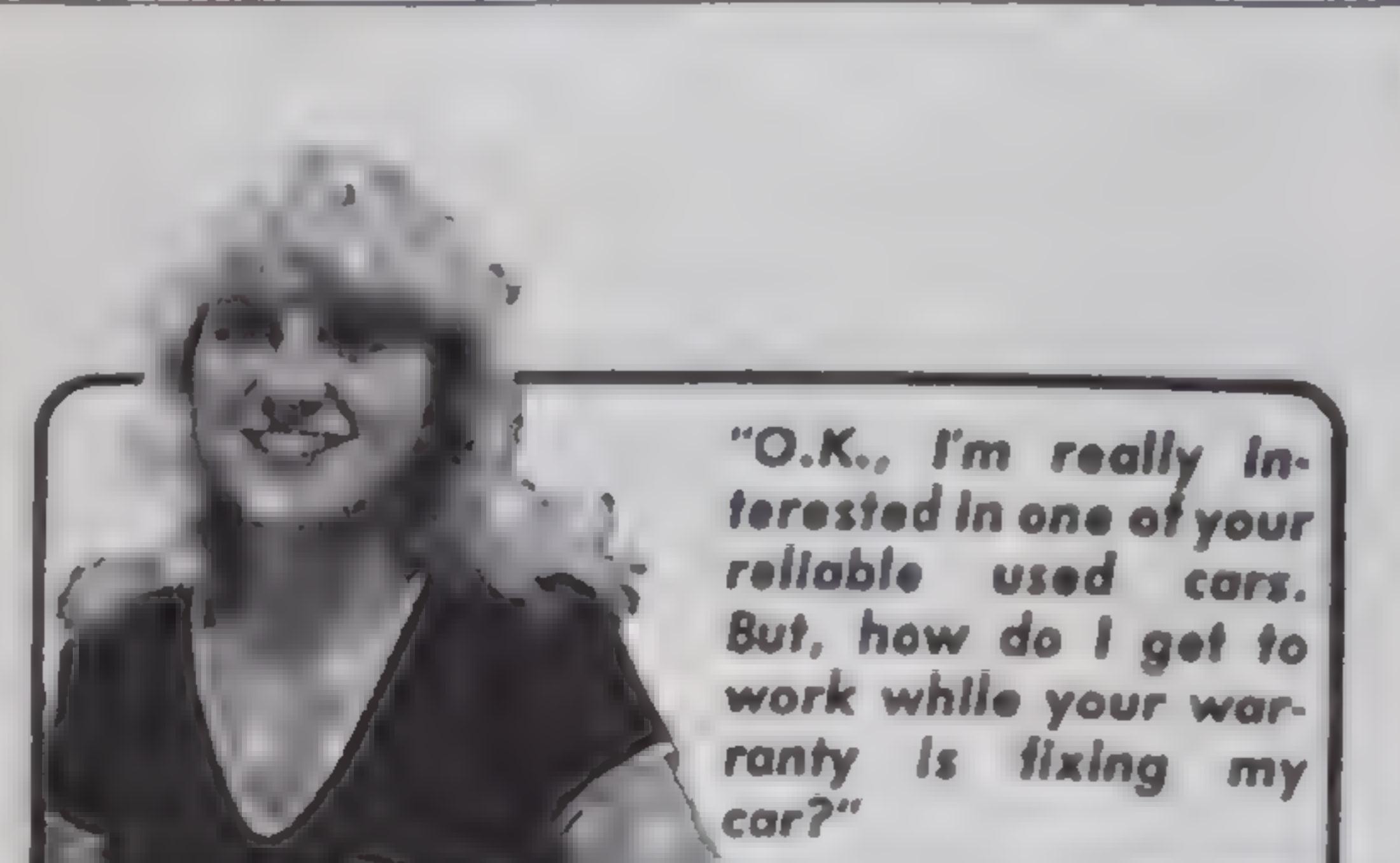
Best Single Ad, Dealer Association went to five Chevrolet Dealer Associations in New York and New Jersey. The ad was praised for its clean appearance and layout impact and for its ability to "dispel consumer complaints about diesels." The Berger, Stone & Ratner agency of New York City created it.

Best Campaign, Large Market (over 100,000 newspaper circulation), went to Folger Buick of Charlotte, NC. Projecting a "timely, informative sales message," according to judges, the ad featured a senior tune-up mechanic peering over a hood and commenting "I always try to go the extra mile, because you never know . . ."

Dennis Pearson Design, also of Charlotte, was the agency.

Also victorious was New Ocean Motors of Santa Monica, CA, which took first prize for Best Single Ad, Large Market. Cre-

New Ocean Motors (top right) was honored for the best ad in a large market. The best single ad by an association was produced by five Chevrolet associations in New York and New Jersey (right). Harold Mounce Toyota (below) won first prize for best campaign in a small market.



"Our used car warranty has "RENT CAR" provisions for the 2 Year/24,000 Mile duration of the contract.

"However, when the repairs are done in our "GOOD NEIGHBOR" service dept., they furnish a FREE rent car to service customers."

Come by today for full details on our used car warranty.

**HAROLD MOUNCE
TOYOTA**

Mon.-Fri. Till 8:00
Sat. Till 6:00

454-3484

711 Hwy. 69S.



WE DON'T SELL YOU A CAR. WE HELP YOU BUY ONE.

Buying a car today isn't as easy as it once was. The world has changed a lot in the past few years. And so has the automobile business.

We at Ocean Motors recognize this, so we surveyed our customers to find out what they want when they buy or service their cars. The answers helped us change our methods and philosophy of doing business.

That's why at the new Ocean Motors BMW/Isuzu.

our staff now helps you more than ever to buy the car best suited to your personal, professional and financial needs. At the new Ocean Motors we thoroughly acquaint you with the superlative engineering, tastefully functional appointments and available accessories for each of our quality BMW or Isuzu automobiles.

One of our staff will accompany you on the Ocean Motors' test drive course. This course is specially designed to allow

you to fully experience the performance capabilities of our cars under a wide range of driving conditions.

We believe our new philosophy makes sense for the changed world in which we now live. Because at Ocean Motors, we don't want to sell you a car. Just help you buy the one that's right for you.



The new Ocean Motors.
1820 Santa Monica Blvd. in Santa Monica • 829-3535

Now!

From Chevy a diesel with 55^{HWY EST} 40^{EPA EST MPG} at \$6255^{**}

'IT RUNS ON CHEAPER
DIESEL FUEL!' 'AND IT RUNS
REAL QUIET!' 'IT STARTS
IN A FLASH!' 'IT'S GOT
GREAT PICK-UP!' 'IT'S THE
LOWEST PRICED
/ DIESEL
THERE IS!'

Come see it now
at your
Hudson Valley



Chevrolet
dealer

**Actual Hwy. mpg may be lower depending on options and on 10M model base price. Actual Hwy. mpg may be lower depending on options and on 10M model base price.

dited with a "conceptual headline and concise, well-written copy directed to the needs of today's car buyers," the ad was the brainchild of Tischkoff & Associates, also of Santa Monica.

Best Campaign and Best Single Ad, Small Market (under 100,000 circulation) went to Harold Mounce Toyota of Greenville, TX and Ted Wilkinson Pontiac-Buick-GMC of Bryan, TX respectively.

Mounce Toyota was praised for building consumer confidence in the used-car warranty with its entry, developed by *The Greenville Herald Banner*.

Guaranteeing low finance rates, the Wilkinson ad, developed by the *Bryan College Station Eagle*, was credited with being "helpful, with information easy to find."

Toronto Automobile Centre took Best Campaign, Multi-line

**FOR GRADUATION,
GIVE YOUR KID
A LESSON IN
ECONOMICS:
THE HONDA
CIVIC.**

**BRAMAN HONDA
FRIENDLY HONDA
HOLLYWOOD HONDA
HONDA SOUTH
MOODY HONDA
PACKER HONDA
POMPANO HONDA
SHERWOOD HONDA
VESPA HONDA**

Toronto Automobile Centre (top right) had the best campaign by a multi-line group. First prize for the best single ad in a small market went to Ted Wilkinson Pontiac-Buick-GMC (far right). The San Diego County Buick Dealers Association (center) and South Florida Honda Dealers Association (above) shared first prize for best use of color.



The call of the month

**Regal,
'82-Blue'**

Standard Features

BUICK

TED WILKINSON GUARANTEES THE LOWEST FINANCE RATES IN BRYAN-COLLEGE STATION

THE 1982'S ARE HERE! CHOOSE YOUR NEW PONTIAC, BUICK, OR GMC, PAY AS LOW AS \$295 DOWN, AND SAVE.

BUICK

GMC

PONTIAC

13.80%

**OVER 100 PRE-OWNED AUTOS FOR GREAT SELECTION
WE HAVE THE CAR FOR YOU!**

TED WILKINSON OFFERS FINANCING AT LOWER-THAN-BANK RATES ON THE LARGEST USED CAR INVENTORY IN BRYAN-COLLEGE STATION

Ted Wilkinson

Group with an imaginative ad portraying "excellent use of spot color, artwork and body copy." John McNally & Associates of Toronto was the agency.

Finally, co-winners were announced for the Best Use of Color division—South Florida Honda Dealers and San Diego County Buick Dealers Association. Busch & Associates created the design for the San Diego Association and Jack Kilpatrick Advertising, Miami, was the agency for the nine Honda dealers.

Hugh Quinn, spokesman for the Newspaper Bureau, said the

yearly Dandy contest "encourages dailies to be more creative and aggressive." And he added, "This year's judges were especially good because all four had automotive experience as well as advertising backgrounds."

Quinn said entries are now being accepted for the 1982 competition. Deadline for submission is November 24, 1982. **AE**



Our newest protection for your newest asset

For years, your business got along without a computer. Now that you've had it for a while, though, you can't imagine how you ever managed. You certainly wouldn't want to be without one again.

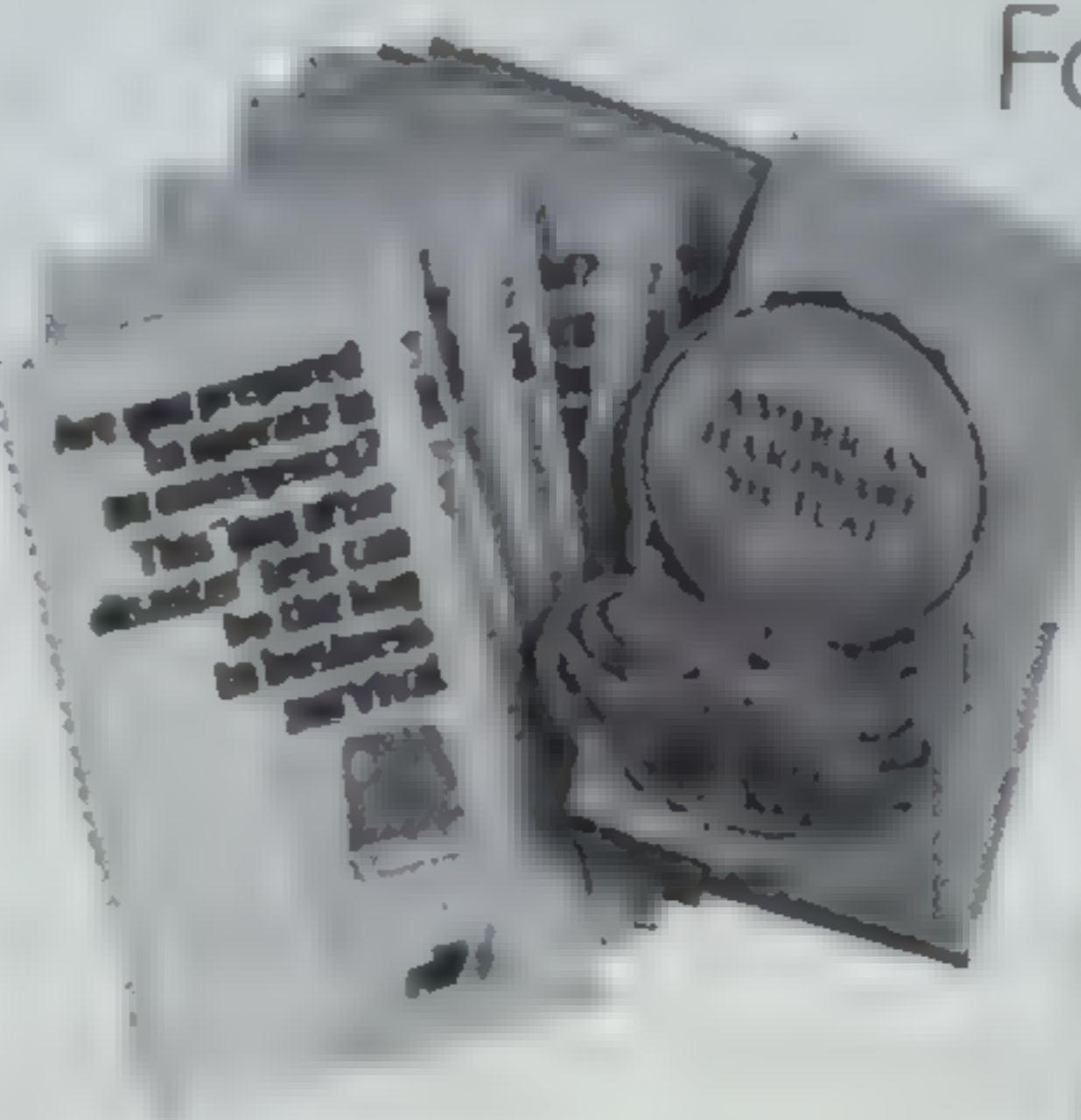
Don't take the chance. Make sure that your business computer has the same comprehensive insurance coverage that your other assets enjoy. Coverage protects you best with a policy specifically designed for that purpose.

That's American Hardware Mutual's new EDP policy. **It provides all-risk coverage for Data Processing Equipment you own, rent, or lease.**

It's just another example of American Hardware Mutual's continuing effort to respond to your changing needs.

Take a good look at the risks you face in your business and

your life. Send for American Hardware Mutual's Management Of Risk (MOR) series of self-test books.



For more information about our new EDP policy, or to receive the MOR series, write:

American Hardware Mutual
Insurance Company
P.O. Box 435, Minneapolis,
MN 55440

"Taking the worry out of
your business...and your life"





AE: How do you view the future of our industry?

Caldwell: The most important development I see is that the industry must be viewed on a worldwide basis. National borders, I think, have been breached considerably and, therefore, all of us have to have a broader view. It's not a national industry any more; it's a worldwide industry. All of us—manufacturers, suppliers and dealers—need to be cognizant of that fact.

AE: Analysts do not forecast tremendous growth in the industry

over the next few years. What advice do you have for dealers to help them generate an adequate return on investment in the face of rapidly increasing costs?

Caldwell: I am more optimistic about the near-term demand factors than the question implies. Sales during the last three years have been running below trend by a considerable margin. With this pent-up demand, even when we consider the fact that the average life of a car is increasing, the length of time people are keeping their cars is increasing and average annual

mileage is falling, I believe there are some very good years between now and 1985.

Looking out beyond that period of time, I think it's less clear what will happen. But I would suggest that the successful dealers of tomorrow will be the ones who do more than just sell cars, trucks, parts and service. Successful dealers are broadening their purview considerably. Now they are into leasing, finance and insurance, and they've become businessmen of broader scope.

So I think the character of the

AN
INTERVIEW
WITH
FORD'S

PHILIP
CALDWELL

Ford Motor Co. made automotive history March 1 when it negotiated a concession contract with the United Auto Workers. Instrumental in the formation of that agreement was Philip Caldwell, chairman of the board and chief executive officer of Ford. In this exclusive interview with *AE*, directed by NADA's Ford Line Group Chairman Jerry Bielfield, Caldwell talks about the industry's most pressing concerns.



business is going to change, but I don't believe the opportunities are going to be less.

AE: NADA has advised its members to plan on high interest rates continuing. Do you think they will?

Caldwell: Interest rates were certainly higher during the last year than ever before. Of course, interest rates *have* tapered off somewhat. They were as high as 21 percent, and now they've fallen back to the mid-teens.

I believe that before '82 is over, they will fall some more. And I say

that simply because the inflation rate has fallen so dramatically. Typically, the real interest cost is about three points over the inflation rate. What we are seeing now, however, is something very hard to understand: a gap of seven or eight points between the interest rate and the inflation rate.

This is a phenomenon that is not occurring in other countries. Interest rates in Japan are much closer to inflation rates. The same is true for West Germany.

I am hopeful that some serious attention will be given to reducing

this broad gap. We can talk about the budget deficit as the cause, but I think there is something else at work here. While I don't pose as being an economist, somewhere in the triumvirate of the Federal Reserve, the Treasury Department and the Congress, we ought to be able to come up with a solution.

AE: Industry analysts project Japanese manufacturers will continue to enjoy a substantial cost advantage throughout the decade. How long do you think it will take U.S. manufacturers to regain a price-competitive position? What



steps can manufacturers take in the meantime to compete against the Japanese more effectively in the U.S. market?

Caldwell: That could take a whole book to answer, but I'll try to be somewhat brief. It is important that we distinguish a competitive cost position from a competitive price position. I believe your question deals with the cost position of domestic manufacturers. I agree that the Japanese do have a competitive advantage in production costs, and I think they will continue to have an advantage. The question in my mind is whether or not our country has the will to face up to the problem—to take the action that is necessary to close the gap or certainly to narrow it.

Let's look at some of the causes of the cost differential: if we have an inflation rate of 11 percent, that triggers certain cost-of-living provisions, and if Japan, on the other hand, has an inflation rate of 5 percent, obviously our relative costs will be much higher. Prob-

bly the most important action we could take toward becoming more competitive would be to reduce our inflation rate.

Secondly, our base compensation programs in the United States force us to pay for too much time that is not worked. That will require some contractual changes and some attitudinal changes on the part of the company and its employees. I think some progress is being made.

The third problem is what I would call the efficiency factor. And that simply means we have too many supervisors, inspectors and follow-up types of people in general. I think the way our manpower is used and managed—in our plants and in our offices—could be improved.

We've been doing what we could all along to address the last two of these problems, and our new labor agreement with the UAW is proof of that. It reduces paid time off and begins to address the issue of the labor cost differential. More important, however, it reflects a joint commitment to work together to meet the job security needs of our employees and the competitive needs of the company.

To sum up, I think the competitive cost advantage Japan enjoys will continue, but I am optimistic that we can narrow the gap.

AE: Do you expect to develop a working relationship in the near future with any foreign manufacturers? Would you be seeking a source for component or vehicle

(Continued on page 34)

Marginal Locations

While one can try to be optimistic, a realistic assessment of the state of the truck industry shows the possibility of an increased number of dealership failures. Some dealerships are in a weakened position due to the depressed market of the past two years. The level of economic recovery needed to turn around some troubled stores may not occur soon enough.

"The changes are likely to result in both risks and opportunities."

Though the prospect of dealership failure is not pleasant to contemplate, truck executives need to anticipate how such failures will affect the business climate. The changes are likely to result in both opportunities and risks.

The major question that must be addressed is the matter of how a particular location will be treated when there is a dealership failure. Will the holes be filled? Will the pins be put back in the map? And how will these events occur?

The number of dealer prospects is down; there are no more waiting

lists. Part of the reason for the drop off is the difficulty dealerships have acquiring venture capital in today's depressed market. This fact of life means that closed stores are likely to be filled in much different ways than in the past.

One possible reaction by the manufacturers to a failed dealership would be to make the store a factory branch. However, this would tend to increase the manufacturers' level of risk at a time when they can least afford it. In fact, the recent trend has been away from factory stores. If manufacturers choose not to convert a failed location to a factory store, they will probably look to existing dealers as an alternative.

Increased dualing is possible. Traditional factory resistance to dualing may abate in this business climate. As a result, a greater number of multiple-make dealers may become "truck supermarkets."

Multiple store ownership may increase as dealers move to take over closed outlets. In some cases, dealers may be asked by the factories to switch locations completely. In either case, the terms offered by the manufacturers must be attractive. And hard evaluations must be made as to whether a dealer will be able to develop a location where someone else failed. The reasons for the failure of the location must be fully understood.

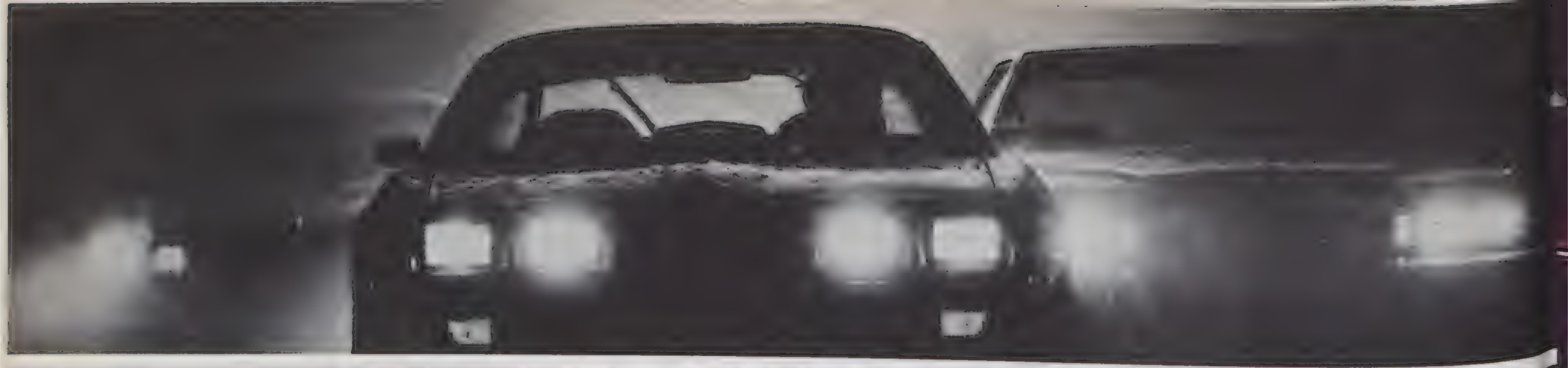
If a dealer declines a location because he evaluates it as a poor risk, he should inform other dealers and the manufacturers of his decision. Problems may occur if attempts are made to place new dealers in locations that can not truly support a dealership. Such an effort would be detrimental to other dealerships in the region.

Of course, the final result may be the elimination of a location,

"Factory resistance to dualing may abate in this business climate."

either because no dealer sees its potential or because the factory sees other ways to cover that area. Some stores probably will be closed permanently. Such closures would probably mean increased opportunities for nearby dealers.

One thing is clear. This industry will probably never return to the days when marginal locations could be profitable. The market will remain very challenging and good management practices will be the order of the day. The industry will be stronger for the changes. **AE**



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SPECIALTY VEHICLES:



*Ringing
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opportunities*

by Sam Polson

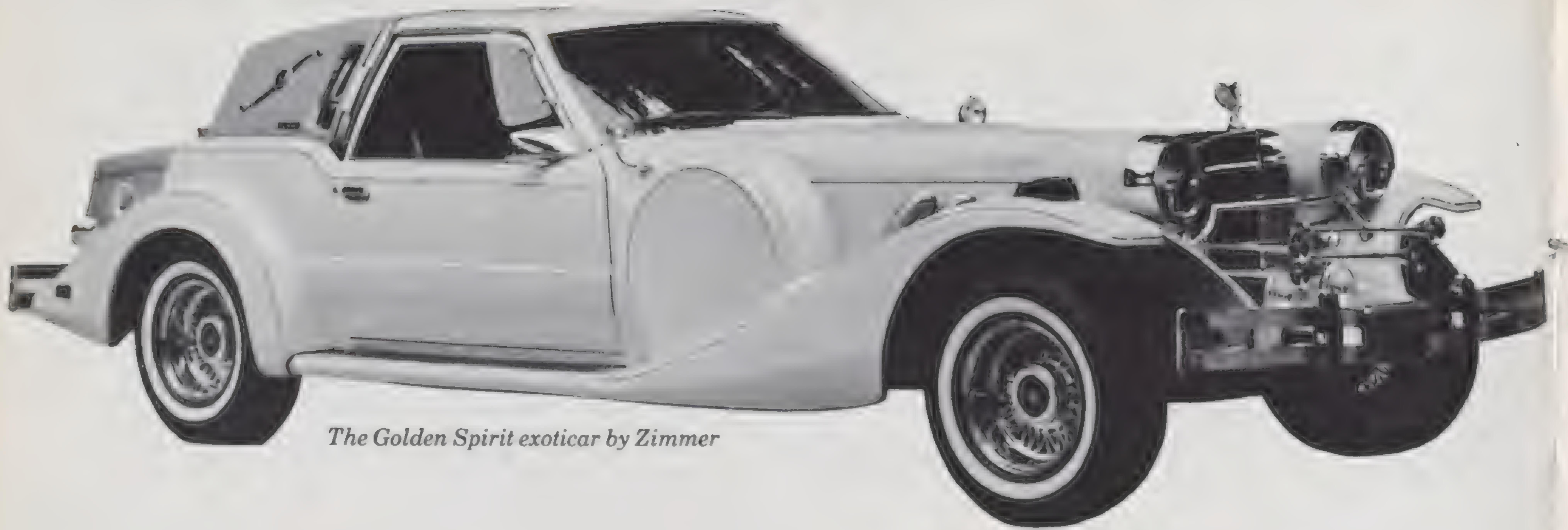
One observer of U.S. commerce recently likened today's business scene to an old cash register.

"All the keys and mechanisms necessary to ring up sales are still there," he philosophized, "but the machine just isn't working the way it used to. Maybe we've been pushing the same buttons for too long and ignoring the other possibilities that are available."

This pronouncement has especial import for the retail automotive world. As new-car sales continue to slump, more and more dealers are realizing that perhaps they shouldn't rely solely on standard showroom offerings (the old, dependable keys on the cash register) as they once did. These dealers are discovering that specialty vehicles—products such as motorcycles, RVs and convertibles that

aren't supplied by one of the franchise manufacturers—are proving to be valuable sources of revenue and effective traffic builders.

Close to the heart of the automotive industry are a number of product lines that can be easily incorporated into existing dealership facilities. Snowmobiles, dune buggies, off-road vehicles, motorcycles, mopeds and trail bikes are



The Golden Spirit exotic car by Zimmer

among the most popular vehicles of this genre.

Dealers thinking about entering one of these markets need to consider the regional appeal of the product (snowmobiles, obviously, don't move well in El Paso), the need for skilled technicians and the additional need for parts inventory. Although dealers who carry such specialty vehicles as a sideline caution that care should be taken not to overstock—especially near the end of prime seasons—floorplan expense does not seem to be a major consideration.

One east coast GM dealer who handles motorcycles as a sideline had some words of warning, though, regarding the motorcycle market. "Back when the cost of borrowing money was relatively cheap, we were selling more motorcycles than cars," he said. "But that's changed drastically for us during the last few years. The problem is you can't get a bike for \$1,500 any more. Some of the bigger, well-equipped models run nearly as much as a car, and the younger customers who are interested in buying them simply can't get financed in today's tight credit market."

Another product that recently fell victim to the sagging economy is the recreational vehicle. There are signs, however, that new, fuel-efficient RVs are bringing about a turnaround. Compact, light-weight units with economical pow-

erplants are now available in all RV classes. Car dealers who spurned motor homes, van conversions, slide-in campers and travel trailers because of their fuel inefficiency a few years ago might find today's versions worthy of a second look.

self-contained, but they certainly can be considered first cousins to the recreational vehicle.

Indicative of this new generation of vehicle is the Centauri "stretch van" unveiled by Winnebago at NADA's recent Equipment Exposition in Atlanta.

"Even though economic conditions aren't as good as we'd like, people with money are still willing to spend it. But they want something different—something they aren't going to see anybody else driving."

While RV units themselves are changing, one feature of the business that has not changed as far as car dealers are concerned is the need for extra personnel to sell and service these products. Some RV suppliers, in fact, require dealers to have a separate facility available before they will even consider an agreement. Obviously, this can mean additional expense and perhaps additional construction.

One development on the horizon that should interest dealers is the "multi-purpose" vehicle. Multi-purpose vehicles are not RVs in the strictest sense of the word, since they lack some of the amenities that make them truly

Frank Rotta, a Winnebago representative, said the prototype on display at the convention attracted considerable attention from car dealers, particularly high-volume retailers who sell from 2,000 to 4,000 units a year.

"I would have to assume these people were interested in taking on a new product line to help pay their overhead and also to make some additional money," he said.

As Rotta explained, the Centauri, which achieves an estimated 24 mpg, will not be sold to the general public until this fall, and then it will only be available through participating new-car dealers. Winnebago and Itasca



The Centauri "multi-purpose" van by Winnebago

dealers will not be offered these vehicles unless they also hold a new-car franchise.

"I don't mean to imply Winnebago is divorcing itself from the RV industry," Rotta stressed, "but this product will not be sold as an RV. It will be sold as a multi-purpose vehicle."

The Centauri will feature a lounge space that converts into a sleeping area complete with a double bed. A sink and water supply system are optional. The unit will not, however, be available with toilet, refrigerator or range. Powered by a 62-horsepower diesel engine wedged to a Renault front-

wheel-drive powertrain, the Centauri will retail for less than \$20,000.

Antiques and Classic Cars

A handful of dealers around the country have found the acquisition and resale of antique or classic cars to be a profitable sideline. The presence of a well-reconditioned vintage model on the showroom floor has also proved to be a natural traffic builder.

The majority of dealers who handle antique models are quick to point out the risks involved. They caution that dealers must do their homework to avoid being taken to the cleaners by sharp sel-

lers and buyers.

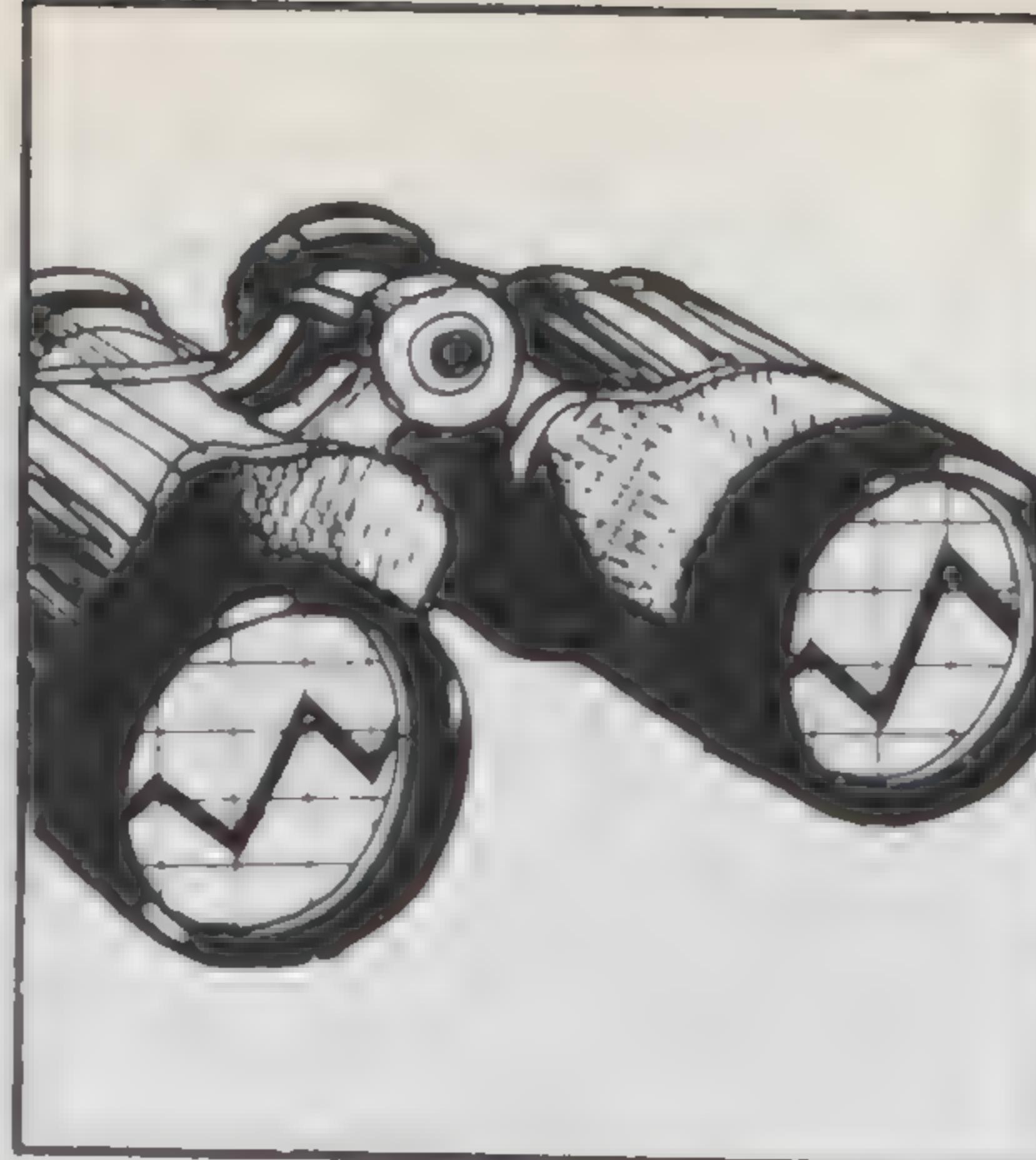
Certain models can easily range above the \$100,000 mark. Knowing which cars can command such prices and which are nothing more than old automobiles is the secret to profitability. The profits can be considerable if you know what you're doing.

Dealers who are thinking about antiques as a sideline must also consider the costly insurance necessary to cover such vehicles, the need for skilled technicians to recondition and maintain them, the desirability of a specialized restoration area, the difficulty in obtaining parts and the large amount of time required to track down worthwhile acquisitions at auctions, antique car meets and estate liquidations.

Some dealers who like the idea of selling the look of yesteryear
(Continued on page 48)



A convertible conversion by Coach Builders



Pent-Up Demand Revisited

The pattern of vehicle replacement has been anything but normal over the last few years. Data Resources Inc. estimates that approximately 2.5 million cars are still on the road today that normally have been retired. It is likely that these vehi-

"The average age of cars on the road has increased from 5.5 to 6.6 years."

cles will have to be replaced in the near future.

As a result of this pattern, the average age of passenger cars on the road has increased from 5.5 to 6.6 years. Despite the aging of the vehicle fleet, there are indications that consumer expenditures on service and parts have increased only minimally. If vehicles are in fact being under-maintained, they will have to be scrapped sooner than would be expected.

As the inflation rate abates, in-

terest rates should also decline, allowing those individuals recently forced out of the credit markets to obtain retail auto financing. Similarly, as the rate of inflation declines, cost pressures on automakers will also diminish, enabling a moderation in the future rate of vehicle price increases.

During the '80s, the biggest population surge will come in the 25- to 44-year-old segment of the population. This age group will increase by approximately 25 percent by 1990. Currently, the average new-car buyer is 39 years old. It can be anticipated that sales will rise as the younger segment of the market swells.

According to a recent *Newsweek* survey, the median family income of new-car buyers is more than \$30,000. The number of households with incomes over \$35,000 (1980 dollars) is predicted to increase by 8.8 million during the '80s—a positive sign for the industry.

An increase in 2-income households, also expected during the decade, will increase the need for more than one vehicle per household. Motor Vehicle Man-

ufacturers Association (MVMA) data indicates that more than 30 percent of 2-income households currently own more than one vehicle, a 13-percent increase since 1975.

Finally, the number of households is expected to increase faster

"Sales are expected to rise as the younger segment of the market swells."

than the population during the '80s. It can be assumed that the greater the number of households, the greater the demand for vehicles.

As the nation's economic environment improves, these factors should bode well for the new-vehicle market over the span of the decade. With the current sales rate below long-term growth projections, the recovery should turn "pent-up desire" into "pent-up demand." **AE**



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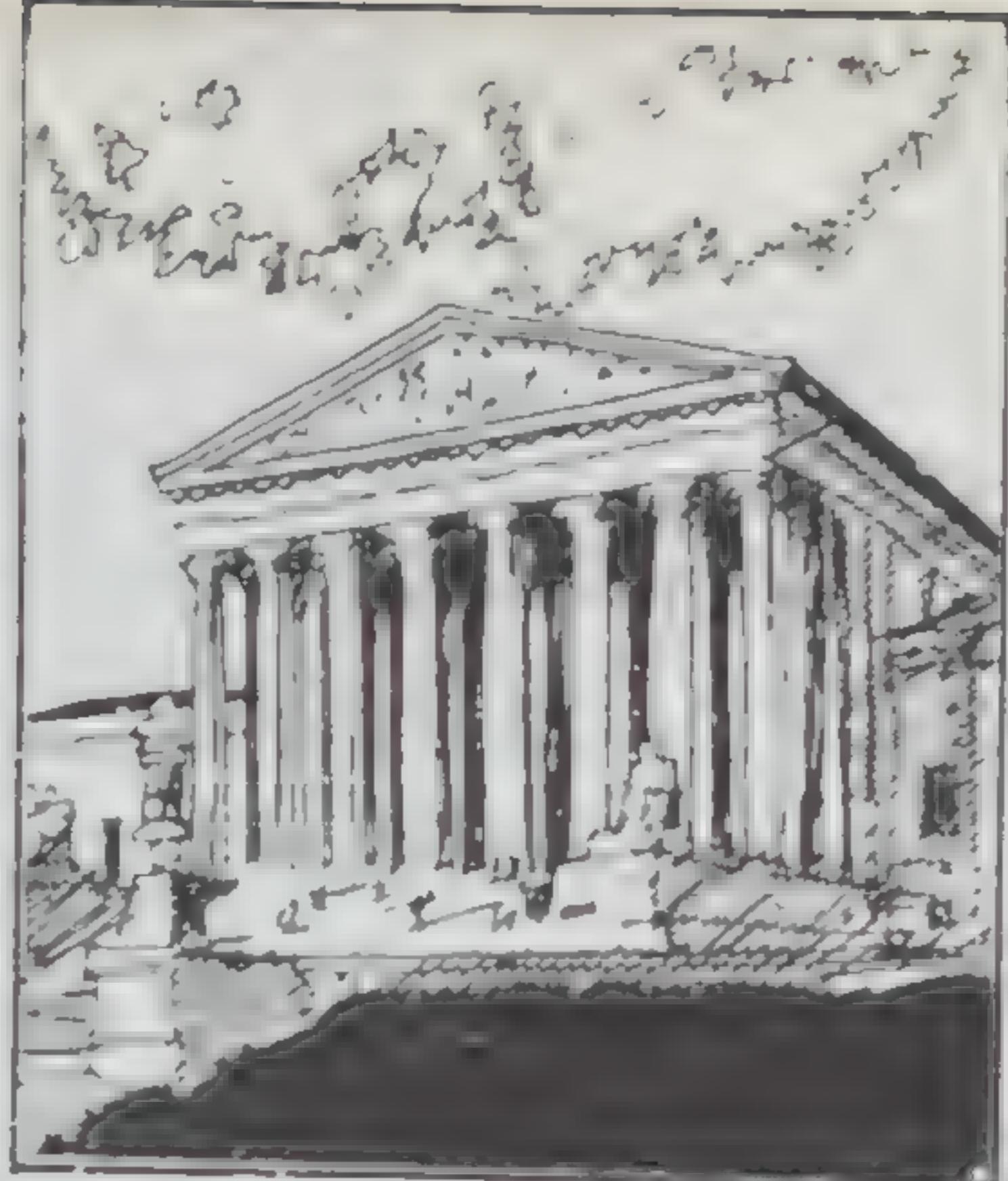
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Tennessee's Motor Vehicle Improvement Act ruled unconstitutional

The Tennessee State Court has ruled that the Tennessee Motor Vehicle Commission is not an impartial body and as such violates the anti-monopoly clause of the state constitution.

The ruling came out of an appeal filed by General Motors against Capital Chevrolet when the Commission refused to grant the manufacturer a new dealer franchise.

The Commission had decided to uphold the protests of dealers currently located in the area of the proposed new franchise. But the court found that out of 11 members of the Commission, nine were automobile dealers, giving the existing dealers the sole privilege of deciding who should sell new motor vehicles.

The court also found that procedures established in the Tennessee Motor Vehicle Improvement Act violate the manufacturer's due process rights in Article 1 of the state constitution and ruled that the relevant market area used by the commission was too broad. Because the procedure is ruled to be unconstitutional, the court rejected GM's claim.

Following the court decision, a state chancellor called for dissolution of the commission. That decision has been appealed to the State Supreme Court which is not expected to hear the case until spring, 1983.

The commission will continue to serve until the case is heard.

(General Motors Corp. v. Capital Chevrolet Co., No. 80-651-111, Tenn. Chan. Ct., 7th Div., 2/1/82)

Dealer awarded damages for manufacturers breach of contract

A Wisconsin dealer has been awarded \$30,000 in damages for a breach of contract by the Chrysler Corp. The U.S. Court of Appeals ruled that Chrysler's failure to recapitalize the Robert Kolb dealership breached their contract.

In July 1970, when his dealerships was terminated, Kolb brought action against the manufacturer, Chrysler, contending violations of Wisconsin and federal automobile franchise laws, breach of contract and fraud.

A written stock agreement was executed when the franchise was established in February, 1969. Kolb contributed \$30,000 for 100 percent ownership of the common stock. Chrysler contributed \$90,000 for 100 percent ownership of the preferred stock.

The franchise experienced a loss of approximately \$30,000 in 1969 and an additional \$60,000 during the first half of 1970. Chrysler then obtained Kolb's resignation and sold the dealership to a private capital dealer, leaving Kolb with a \$30,000 loss.

The appellate court ruled that the charges claiming violations of Wisconsin law or the federal Automobile Dealers Day in Court Act, had no merit.

However, in awarding the sum lost in the original investment, the court ruled that Chrysler had breached a contractual written obligation to contribute additional capital to the dealership when it was losing money.

(Kolb v. Chrysler Corp., 661 F. 2d 1137 7th Cir. 1981)

This column is prepared by the Legal Group of the National Automobile Dealers Association. Because this column is national in scope, the discussion of cases and legal problems is necessarily limited and general. When specific legal questions arise, you should consult a competent attorney in your state. For further information or questions concerning the items appearing in this column, write: Legal Briefs, NADA Legal Group, 8400 Westpark Dr., McLean, VA 22102.

Connecticut dealer named in rustproofing suit

A Connecticut Chrysler-Plymouth dealer has been named in a law suit for alleged fraudulent sales of rustproofing options.

An investigation of Girard Motor Sales Inc., conducted by the Connecticut Department of Consumer Protection, detected that automobiles previously purchased with the rustproofing option by consumers had no protection.

The dealer claims a chemical deficiency could be responsible and has recalled all vehicles purchased with this option for an inspection and re-application if needed.

The state is seeking a permanent injunction to bar Girard from selling any rustproofing protection. Further, the state is asking for consumer reimbursement, civil penalties, costs and attorney fees.

(*Connecticut v. Girard Motor Sales Inc.*, No. 68296, Conn. Superior Ct., Hartford, 1/20/82)

Manufacturer justified in terminating dealer franchise

The New York Supreme Court has upheld Volvo's franchise termination of Tappan Motors Inc., New York.

The trial court reversed a permanent injunction filed against Volvo by the New York automobile dealer, dismissing the dealer's claim that the manufacturer "lacked good cause and acted in bad faith" in terminating the franchise.

Volvo cited the dealer's trouble in servicing the manufacturer's automobiles and its poor customer relations as justification for curtailing the contract.

A counterclaim for damage by Volvo was reinstated and remitted for trial.

(*Tappan Motors Inc. v. Volvo of America Corp.*, N.Y. Sup. Ct., App. Div. No. 3293E, 12/14/81)

A reader asks:

Am I required to retain all odometer mileage statements received, and if so, for how long?

Under Federal law, Odometer Disclosure Requirements, 49 CFR 580, each dealer or distributor who executes an odometer disclosure statement is required to retain that statement for a period of four years. The statements may be reproduced copies as long as no information or identifying marks such as signatures are lost in reproduction. Odometer statements should also be retained at the dealer's primary place of business, permitting easy retrieval.

DOE issues 1982 Gas Mileage Guide

Under new EPA regulations, dealers of 1982 automobiles and light trucks must display copies of the Department of Energy's 1982 Gas Mileage Guide in their showrooms and must also maintain an adequate supply of the Guides to meet public demand.

Any dealer who has not already received copies of the Guide from DOE or requires additional copies should write the following address, specifying the quantity desired of the 49 state and/or California version: Fuel Economy Distribution, Technical Information Center, U.S. Department of Energy, P.O. Box 62, Oak Ridge, TN 37830.

Florida dealers' sales tax compensation provisions clarified


Dealers in Florida currently, for collecting sales tax, are compensated 3 percent of the collected amount and an additional 1 percent of any tax owed and remitted which exceeds \$1,000. A recently amended rule of the *Florida Code* contains provisions such that for a dealer operating more than one place of business, the reduced compensation can be applied to tax exceeding \$1,000 for each reporting and registered location.

If a consolidated return for all locations is filed, however, the allowance is based on the total amount reported regardless of where it originated from. (Rule 12A-1.56 effective September 24, 1981)

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AUCTION BLOCK

Convention News

It was my good fortune to attend the Western Auto Auction Association Convention in Palm Springs, CA, February 18 to 21. I left Palm Springs at noon on the 20th since I was due in Atlanta for the NADA Convention. I won't go into details, but let me say this—it took no longer to go from Washington's Dulles International Airport to Los Angeles than it did to go from the L.A. Airport to Palm Springs by air.

At the WAAA Convention, elections were held. The new officers are Kent Zabel, chairman of the board; Fred McConkey, president; James Orr, vice-president; and Larry Brasher, secretary/treasurer. Gary Smith, Dave Hill and Hal Hines are the new board members.

The convention was a good one with more than 100 in attendance. The facility was nice, but the pool area turned me off. The pools don't seem to be intended for swimming. One assumes they are planned as a focal point for sunbathers. The lounges are grouped closely and, of course, there is that "check-in" system which I find annoying. Oh well, I was there to *work!*

I sat in on two of the meetings, and the first left me a little confused. One might reasonably suspect I was not alone in that respect. The subject of the meeting was "The Movie," a promotional film intended to "sell" new-car dealers on the usefulness of the auctions. It does not appear that this should be a problem, but evidently it is (see last month's "Auction Block").

The following day I attended a panel discussion entitled "New Developments in Lease and Fleet Marketing". In fact, I stayed over Saturday morning just to attend this discussion. I may have missed the point, but I did not discern anything in the way of new developments at this seminar.

We were advised that lessees are becoming more sophisticated and more aware of market conditions. Freely translated, that means they know, or think they know, what their cars are worth. I'd like to get hold of some of these guys. Perhaps they could tell me what their cars are worth.

If I followed the reasoning, which I may not have, it

would seem that lessees now expect a fair price for their cars. Is this something new?

During the meetings, I scribbled a few notes. One point brought up was the lack of communication between leasing executives and auction managers. One panelist claimed auction operators display an "indifferent attitude," which causes them to miss much of the business that is available.

A discussion also took place about the problems of picking up vehicles. It boiled down to this: when a leasing company advises the auction that a car is ready, frequently the car is *not* ready to go when the dealer comes to pick it up. The conversation revolved around who should contact whom and when. There was one point everyone agreed on. It seems cars are sometimes disposed of by the lessee or the leasing company *after* the pick-up notice has gone out. Well!

The panelists also observed that few auctions have anyone assigned to the fleet business. It would seem advantageous to have a full-time man in this position.

Finally, Fred McConkey's son pointed out that most of the cars he gets are high milers. He wondered where the "good stuff" goes. He made another good point: the floors are sometimes not in tune with the market.

It was good workshop, at times almost adversary in nature. But what is wrong with that? Sometimes you need to clear the air and let it all hang out.

Saturday morning I visited with Arnie Addison and some of his associates who have established an insurance company dedicated to the needs of the auto auction industry. I am sure all of you are aware of it, but I told Arnie I would mention the idea in this column. Arnie must think someone reads this!

The company is Interstate Insurance Co., Ltd. It is designed to provide protection in the area of check and title as well as liability. As I understand it, the company will be advised by the firm of Bayly, Martin & Fay of Oakland, CA. Arnie is president, Joe Lyng is vice-president and Robert Malkin is secretary/treasurer. The members of the board of directors are Har-

(Continued on page 46)

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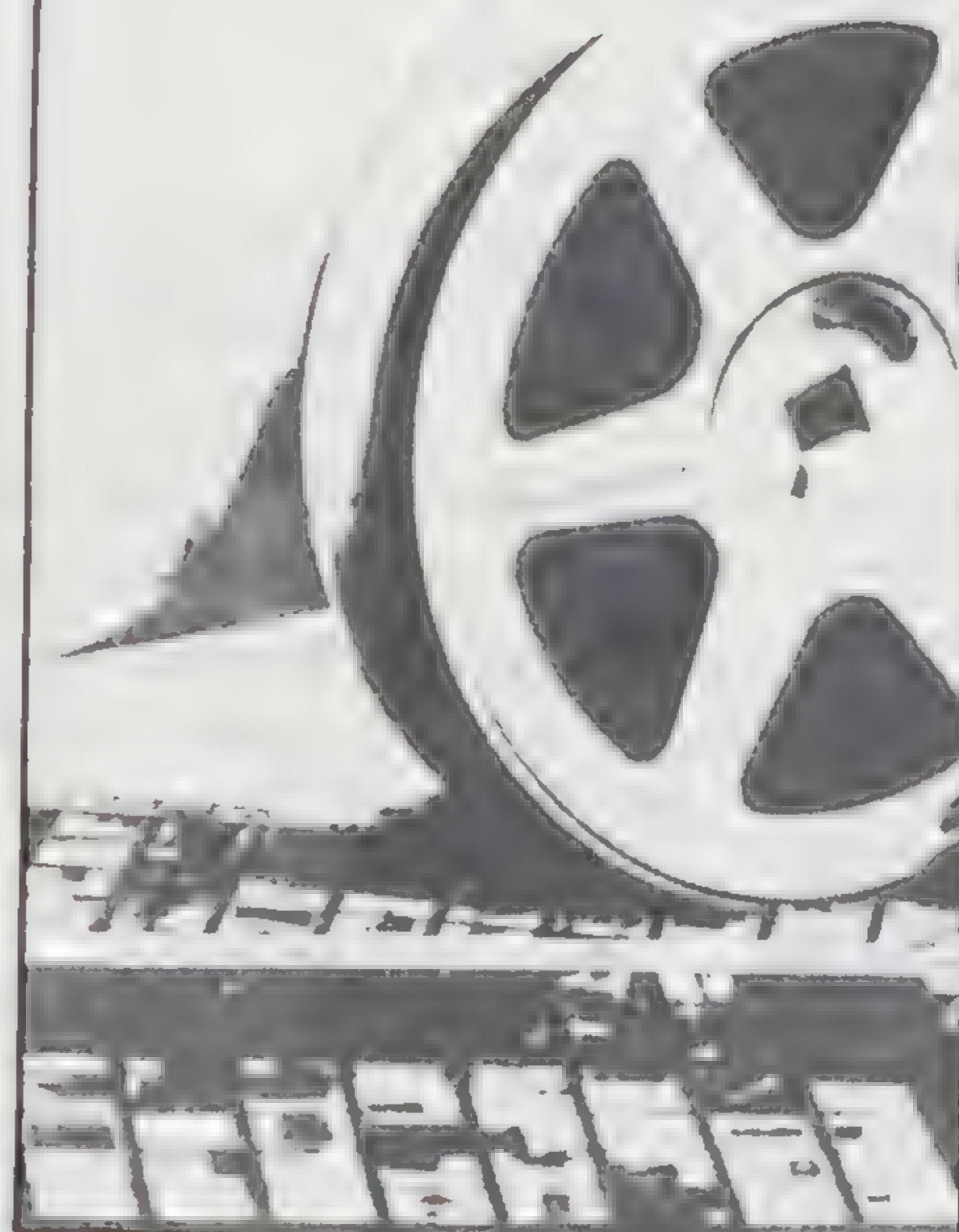
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HOW TO IN '82 ATD Presents Some Pointers from Jazzland

Though entertainment is a key drawing card, a lapse into Louisiana's legendary languor is by no means the sole aim of the American Truck Dealers' return visit to the land of jazz.

The nation's truck dealers are convening April 3 to 6 at the Marriott Hotel in New Orleans for one main reason: to gather the kinds of ideas that can help them run their businesses more competitively. This year's convention, "How To In '82," is sure to provide plenty of food for thought. On the agenda are seven workshops, three make-meeting sessions and a huge trade exposition. An array of outstanding speakers will be also be featured. Here's the lineup:

At the convention's opening session, to be held at 1:15 p.m. on Saturday, April 3, Archie McCandless, president and chairman of the board of International Harvester, will look at what the coming year holds for IH and the industry.

David Schmidt, a time-management expert, will speak at Monday's luncheon, and Ralph Lewis



Jr., corporate communications coordinator for Gulf Oil Co., will discuss current energy trends at Tuesday morning's general session. In an unusual theatrical presentation, the Gulf Oil director casts himself into the role of chemist, geologist, engineer and Middle East oil minister as he explores the history of oil research. Winding up at Tuesday's closing luncheon will be Dick Milham, a motivational speaker widely acclaimed for his creative programs.

Of special note is the non-denominational worship service on Sunday morning. Speaking at the service will be Charlie Plumb, a prisoner of war during the Vietnam conflict. Plumb will talk about how the techniques he and other POWs used to survive prison conditions can be used to meet the stresses of day-to-day living.

This year's "how to" workshops are designed to provide dealers with hands-on approaches to common business problems. Among the topics to be covered are debt collecting, employee compensation, service productivity control, used vehicles and personal health. A critical problem facing many dealers—embezzlement—is the subject of another session. Ed Hall, a representative of Universal Underwriters Insurance Co., will talk about some of the dealership-embezzlement cases his company has handled and suggest some means of prevention.

Each workshop will be held at least three times during the convention. All are one hour and fif-



From top-notch business sessions to one-of-a-kind entertainment, the ATD Convention in New Orleans has much to offer dealers.



teen minutes long. The workshop faculty includes truck dealers, NADA staff members, industry representatives and other professionals.

The Marriott's Hospitality Center has made special arrangements for dealers' wives. Events include a luncheon on Sunday, April 4, featuring Marjorie Roehl of the *New Orleans Times-Picayune*. Roehl will deliver a presentation based on her recent newspaper series, "People of the Garden District." Roehl's program provides an unusual look at the neighborhood above the French Quarter where Americans settled after the Louisiana Purchase.

On Monday, April 5, from 9:30 a.m. to 3:30 p.m., there will be a ladies' tour through the river region of southeastern Louisiana. The first stop is Oak Alley Plantation, a Greek-Revival mansion built in the 1830s. The plantation is named for its alley of 200-year-old oak trees. Next on the itiner-

ary is Houmas House Plantation, where a plantation-style luncheon will be served. Houmas House features lovely gardens and fine period furnishings, including an unusual collection of armoires.

No ATD Convention would be complete without your own tour of the city. And what better place to start than the French Quarter, or Vieux Carre, the neighborhood where the Marriott Hotel is located! This 13-block-long slice of the Old World contains some of New Orleans' most famous shops, restaurants and clubs.

Nearby Jackson Square, one of the nation's most beautiful urban parks, is also worth a stroll, as are St. Louis Cathedral and the Cabildo—the seat of government for the entire Mississippi Valley during the latter half of the 18th century.

Need we mention the food and music? Whether it's hot creole, spicy cajun or cool jazz you're looking for, New Orleans has it all. **AE**

CALENDAR

CALENDAR

CALENDAR

CALENDAR

April

3 to 6. American Truck Dealers Convention, Marriott Hotel, New Orleans, LA

3 to 7. Ohio Automobile Dealers Association Convention, Marriott Hotel, Hilton Head, SC

3 to 9. Washington State Automobile Dealers Association Convention, Hyatt Hotel, Orlando, FL

20 to 22. Eastern Automotive Aftermarket Show, Convention Hall, Atlantic City, NJ

20 to 24. Motor Car Dealers Association of Southern California Spring Conference, Indian Wells, CA

21 to 25. Orange County International Auto Show, Anaheim Convention Center, Anaheim, CA

22 to 27. Arkansas Automobile Dealers Association Convention, Rose Hall, Montego Bay, Jamaica

25 to 27. Automobile Dealers Association of North Dakota Convention, Kirkwood Motor Inn, Bismarck, ND

May

2 to 4. Automobile Dealers Association of Alabama Convention, Broadwater Beach Hotel, Biloxi, MS

5 to 7. International Methane Vehicle Symposium, Washington Hilton Hotel, Washington, DC

9 to 11. Kansas Motor Car Dealers Association Convention, Holiday Inn West, Topeka, KS

11 to 13. Southern Automotive Show, Market Hall, Dallas, TX

12 to 14. New England Truck Show, Commonwealth Exhibition Center, Boston, MA

19 to 21. International Trucking Show (East), Dallas Convention Center, Dallas, TX

25 to 28. Auto Mexicana '82, United States Trade Center, Mexico City, Mexico

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Caldwell from page 16

manufacturing, or an equity partner?

Caldwell: We already have a relationship, of course, with Toyo Kogyo. Our relationship goes back nearly 10 years, when we first began to import the Courier truck. During the last three years, we've become an equity partner. We now own 25 percent of Toyo Kogyo. I expect our relationship will continue to grow, and we will find ways to involve additional markets and additional components.

Will Ford form cooperative arrangements with other manufacturers? It's possible. I think more and more cooperative arrangements will continue to take place among the manufacturers throughout the world. It is happening just about everywhere: the Europeans with the Japanese, the Americans with the Europeans, the Europeans with each other. It's all part of the dynamics of worldwide manufacturing that I mentioned earlier.

Obviously, we have been and will continue to be receptive to any

opportunities that might make sense. But at the present time, our primary partner is Toyo Kogyo.

AE: A number of writers have said that by 1990 there will only be about eight automobile companies in the world—Japan Inc., General Motors and a handful of others. Many have said that Ford would be part of some other conglomerate or incorporation. What's your prediction for 1990? How many independent car manufacturers will be in business?

Caldwell: I don't want to make a specific prediction, but I do think there will be fewer. I think there will be consolidations, but I don't think alignments will occur on a national basis for Japan or, for that matter, France or Germany. Manufacturers will come together on the basis of providing an array of products to meet the demands of a market—whatever that entails. Ford will continue to be one of the strong companies.

AE: What effect will the upcoming 10-percent tax cut have on car sales?

Caldwell: There are two aspects to that question: the capital-

formation side and the personal-tax side. I think the tax cuts will have a positive effect on market demand, and also will be a plus for dealers as they cope with their own investment problems.

On the personal side, the tax cut clearly is a positive factor. The cut that took place in October was so small and so late in the year that I don't think anybody really should have expected anything to happen. The 10-percent reduction that will take place in mid-year, however, will have a very positive effect. It will help boost sales toward the end of 1982 to a level higher than at the start of the year.

AE: What effect do you think President Reagan's economic plan and proposed regulatory reforms will have on the health of our industry?

Caldwell: Some very good things have been done, but the full effects have not yet been felt. First, some steps have been taken to get inflation down and keep it down. Lowering inflation is fundamental to everything; if we don't achieve that we can't achieve anything else of real substance.

Secondly, the tax program returns the capability of making decisions to the individual. I think that will have a tremendously favorable impact.

On the regulatory side, I would say it's as if the jungle has stopped growing. There hasn't been a great rollback of regulations, but the proliferation has stopped. That's had a great impact. It's permitted our engineers, designers and product planners to spend their time doing what they do best—producing cars and trucks that meet the needs of the market on a timely basis and at an economical cost level.

Regulators have never recognized the fact that lead time is a critical factor in the auto industry. That's led to a lot of inefficiencies: mainly, impossible deadlines. By keeping decisions up in the air, regulators have tied up thousands of people and forced them to wait to find out if they should march north or south. That has stopped. So most of President Reagan's changes have been positive.

Now, what about the demand factor? That's the one that is still hurting us. The economy is in a recession, and the auto industry is in

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a depression. We met with President Reagan just before Christmas, and one of the most important things he said was that we cannot have a healthy economy without a healthy auto industry. I believe that very much, and I am encouraged to know he feels the same way. If the president keeps that thought in mind as things move along, I think it will have positive results.

AE: How would the Reagan administration's proposed changes to the Clean Air Act affect Ford Motor Co.? Will the high-altitude standards limit product availability in certain areas?

Caldwell: Based upon the reports of a number of scientific experts in this field, nothing that is being proposed would be adverse to the needs of the environment. I think that's the first consideration, because it is not in the interest of any of us, and particularly not in the interest of our dealers, to be standing for something that's prejudicial to the environment.

Now with respect to details: the changes in hardware that are being proposed would improve driveability, improve fuel economy and, to some degree, reduce cost. As far as high altitude is concerned, what is being proposed is to provide the vehicles in the mountain states with the right kinds of equipment to meet the requirements of high altitude without imposing the burdens of cost and less satisfactory fuel economy on the rest of the nation's car population. I believe everybody will gain by this: the general public will gain, the environment will not be adversely affected and customer choice won't be limited.

AE: How would favorable changes in the Clean Air Act translate into prices?

Caldwell: That will depend on each individual manufacturer's situation. We don't all use the same approach to get the job done, and we don't all start from the same point. In any event, the changes should prove beneficial.

AE: If Congress finishes the Clean Air Act early in this session, would the changes be incorporated on '83 models?

Caldwell: It's getting late for the '83 models, because everybody is committed to a certain course of action. We shall act as promptly as

possible, but I think the greatest impact will be in 1984.

AE: The industry has seen substantial dealer attrition over the last couple of years. What should dealers look for in 1982? In your opinion, will this be a turnaround year?

Caldwell: I believe so.

AE: Ford dealer sales per outlet are ranked below those of some other makes. Does this mean Ford has too many dealers?

Caldwell: I think in the case of Ford dealers it's necessary to add truck sales into the figures. When you include trucks, we're in pretty good shape.

Do we have too many dealers? In general, I would say "no." Are our dealers located where they should be? Well, I think there are some parts of the country where the population is undergoing a shift, and those markets are under constant review. The demographics of income are also changing from one part of the country to another. That's not news, but it is a trend that needs to be studied and followed. As the opportunities present themselves, we should move

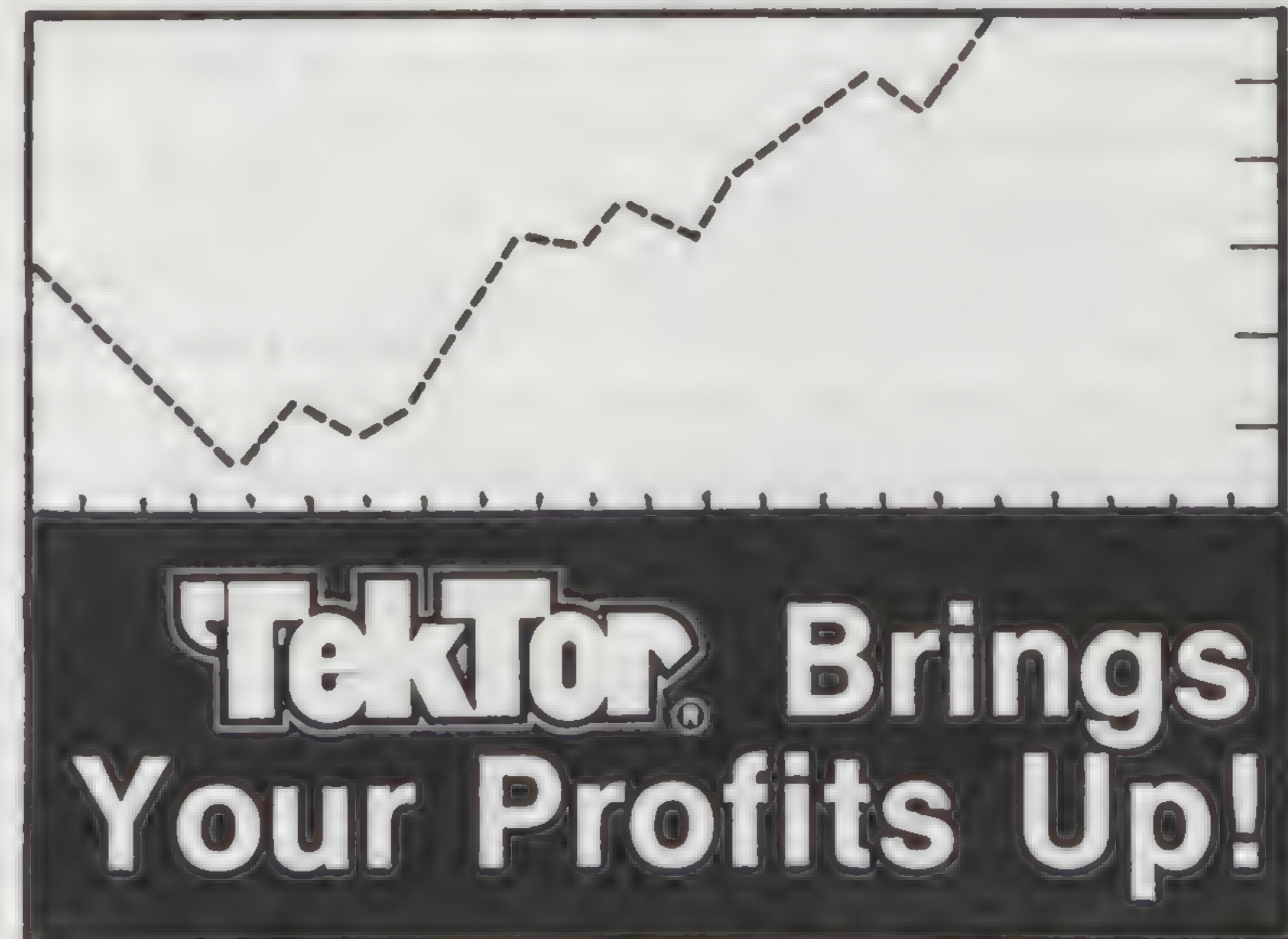
toward an ideal dealer network.

AE: As the price of cars moves into the 5-figure range, the dealer's ability to maintain a profit margin is diminishing. What can Ford do to attract sufficient investment capital into the retail dealership level?

Caldwell: The assumption is that return is *inadequate*. I'm not sure that is correct in all cases. Where the returns are adequate, obviously, there is no problem getting capital. Where the returns in a particular region are inadequate, I think the first thing is to make sure that we have the right number of dealers.

I haven't seen any evidence to suggest that the return on automotive retailing is out of line with other types of investment. We're working on the wrong problem if we're trying to prop-up unsound dealering plans with subsidies—with short-term arrangements. That is not a satisfactory solution for the long run. The business ought to be healthy in its own right, or else some changes need to be made. And I don't think the way to change it is to make dealers the

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wards of the factory. I think that's wrong.

AE: The cost of maintaining inventories during periods of high interest rates is especially difficult for dealers. What role should the manufacturer play in financing retail inventory?

Caldwell: We have demonstrated our concern with this problem. We've put quite a lot of money into floorplan assistance programs to help dealers cope with high interest costs. These are short-term measures, of course, and too expensive for either the dealer or the factory to use for very long. I guess while we are looking for long-term solutions, we are probably going to have to endure some programs of this sort.

AE: If interest rates remain high, will dealers be forced to permanently reduce inventories?

Caldwell: I think the answer candidly is yes; there will be less inventory.

AE: Will that have an effect on your merchandising approach?

Caldwell: It probably will. I just hope we don't end up running dealerships like catalog offices. That would be a tragedy. I think there is a lot of room for dealers to maintain inventory through sound business practice.

AE: In the wide array of programs to stimulate sales, the direct cash rebate and the dealer incentive programs are the most common. In your opinion, what are the relative advantages of each approach, and what factors determine which program Ford chooses to use?

Caldwell: The market tells us at any point in time what kind of a program we need to move the merchandise. It's interesting to see that the acceptability of rebates is declining. That was the reason why we changed emphasis with the Escort and Lynx program.

Because the quality of the Escort and Lynx is so high, we decided to offer our customers essentially two years of cost-free driving. We can afford to do that because the operating cost for these models is so low, fuel economy is so good, and the insurance rates are among the lowest for any car, foreign or domestic.

AE: So what you're telling us is quality truly is job one.

Caldwell: Absolutely. About

three years ago we decided that quality was our most important objective, and we have not deviated from that path. When I say to people there is a better attitude in our plants and among our management and engineers, it's not just hope; it's fact.

The dealer has a big role to play in our quality success. I just got this report this morning; I read it just before you came in here. The report is a summary of customer complaints—letters that come to me and others about our product.



"The Topaz will be a smash."

If we're really doing things right out there, we should see a fall-off in the number of customer complaints—that's my premise. In 1979, the report shows we had 70,000 non-solicited complaints. In 1980, there were 56,000 and in 1981 we had 47,000.

For the '81 Escort/Lynx, 90 percent of our customers reported they were satisfied with the quality of their cars. I won't be satisfied until that figure is 99 percent, but I don't think any other manufacturer has numbers like these. If people like our products they'll be back; if they don't like our products—forget it. We'll never see them. Customers don't have to come back, and if we don't earn the right for them to come back, we have ourselves to blame and not anybody else.

AE: Some dealers have said that Ford needs one really hot model to turn business around. What model do you see filling that position?

Caldwell: One hot model? Do you realize that the Escort was the best-selling car in the *world* last year? That's about as hot as they come. The F-100 truck is the third best-selling vehicle in the world. And that truck isn't even sold in Europe. That's bread and butter right here. The Mustang outsells every other vehicle in the United States in its market segment.

This business that Ford Motor Co. doesn't have hot products just escapes me. We've got a lot more product out there than people think. Now, I predict that the Ranger will be the best-selling compact truck by year-end. I don't have any doubt about it, and the reason I say it is because it's the best truck.

AE: A lot of people are talking about the Topaz. I see your eyes lighting up; I think the dealers would like to light up, too.

Caldwell: The Topaz will be a smash. It will be an absolute smash. We've shown it to our dealer council group, to leading fleet operators and to trade writers and they agree that the Topaz is excitement with a capital E. It will be a smash as a car. And it will establish a new styling trend in this country.

AE: When will the Topaz be available?

Caldwell: Mid-model year '83.

AE: Dealers have often called upon Ford to provide a greater distinction in design between the products of the Ford Division and the products of the Lincoln-Mercury Division. Is a greater separation of products planned for the future? Will you maintain two separate divisions?

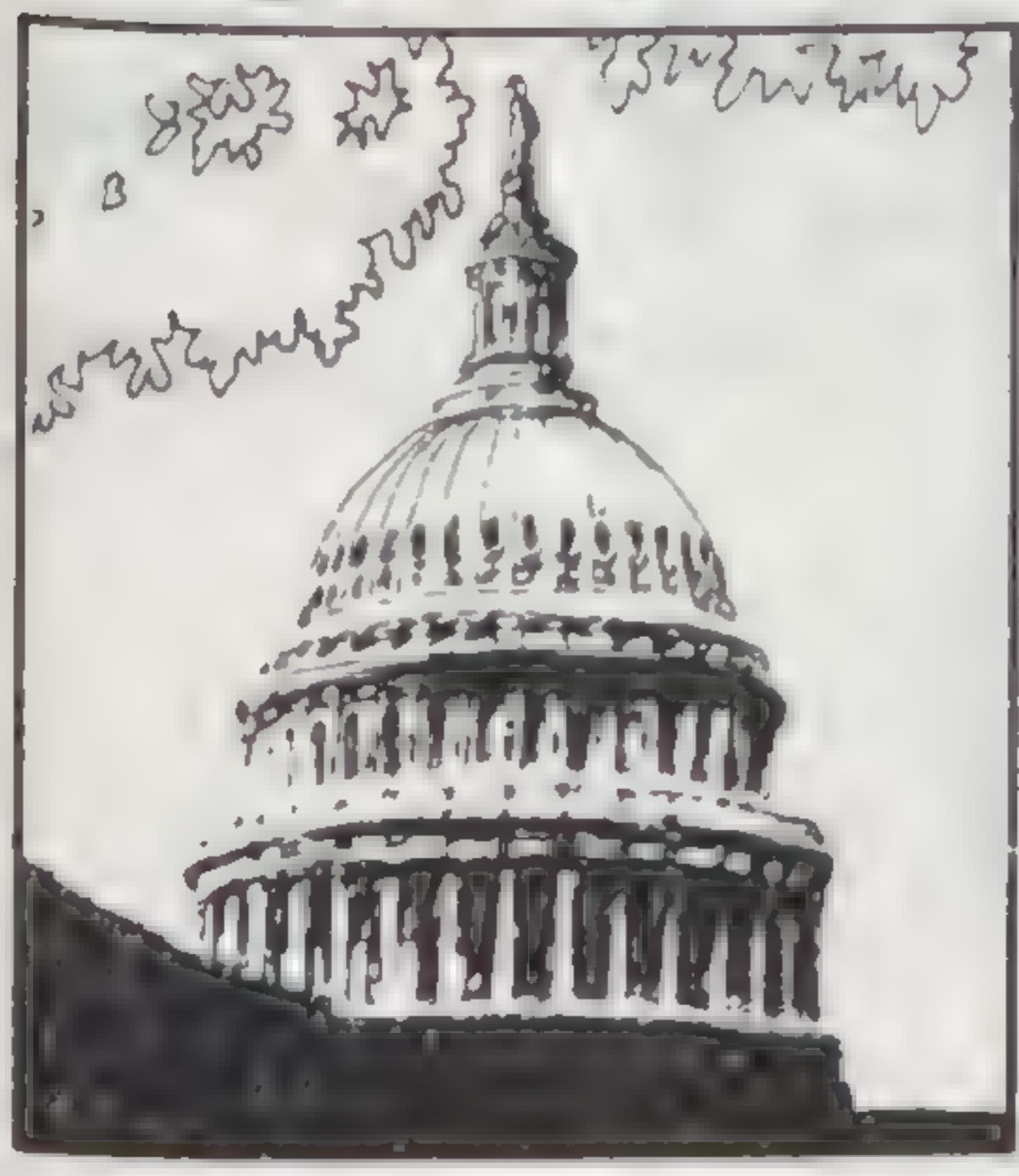
Caldwell: We will definitely maintain two separate divisions. We are very much on a policy of greater differentiation between the two franchises. We are moving with each of the new products as fast as we can to establish that differentiation.

AE: Would a significant price cut by one of the major manufacturers spur sufficient buyer response to make it economically feasible?

Caldwell: It will take a major price cut to spur the market. I am not sure whether the response would be sufficient to justify the cost. I'm uncertain about that. But I'm quite sure that \$100 or \$200 won't get the job done.

AE

ON THE HILL



Clean Air Questions

Because the Clean Air Act debate is heating up, we thought it would be appropriate to discuss the technical reasons behind the manufacturers' proposed changes in the carbon monoxide (CO) and oxide of nitrogen (NOx) emissions standards. These changes are included in H. R. 5252, a bipartisan bill which NADA supports.

Below is an excerpt from a pamphlet entitled "Clearing the Air: Why H. R. 5252 is Needed and Now!" published by the Motor Vehicle Manufacturers Association. We hope the answers provided below will assist dealers when discussing the act with elected representatives.

Q. Will "doubling" the standards for CO (from 3.4 to 7.0 grams per mile) and NOx (from 1.0 to 2.0 gpm) double the level of air pollution?

A. No. Total emissions entering the air will continue to decline significantly under the new-car standards of 7.0 CO and 2.0 NOx proposed in H. R. 5252. In the case of CO, average emissions for all cars, which were about 90 grams before controls and had dropped to 48 grams by 1980, will reach a projected 26.6 grams by 1987 with a 7.0 standard, as compared to 26.3 if a 3.4 standard is retained. This is a difference of only .3 grams. Under a standard of either 7.0 or 3.4, all but a very few areas are expected to meet the national CO standard by 1987, according to latest EPA estimates. All areas outside of California, which sets its own standards, are expected to be in compliance by 1990.

The difference in the impact on air quality between a 1.0 and 2.0 gpm NOx standard is also not significant. Currently, virtually all areas outside of California are in compliance with the national standard for nitrogen dioxide. According to EPA, "In NO₂ we have a non-problem. We have hundreds of monitors out there recording attainment... Over the next 10 years, we don't see the NO₂ problem getting worse with a 2.0 standard."

Q. Will H. R. 5252 continue efforts to control smog?

A. Absolutely. H. R. 5252 proposes no change in the passenger car standard for hydrocarbons, which is the primary cause of smog formation.

Q. Under H. R. 5252, will California still be able to set its own emissions standards?

A. Yes. No change is proposed in California. It will continue to set standards to meet its unique air-quality problems.

Q. If the 3.4 CO and 1.0 NOx standards can be met, why shouldn't they?

A. In the case of gasoline-powered cars, it is not a question of available technology. It is a question of whether there is any significant air-quality benefit in building cars to meet those standards and requiring consumers to pay for the sharply increased costs. The technology has indeed been demonstrated for meeting those standards. If it must be used sometime in the future, it can be. It just is not needed now.

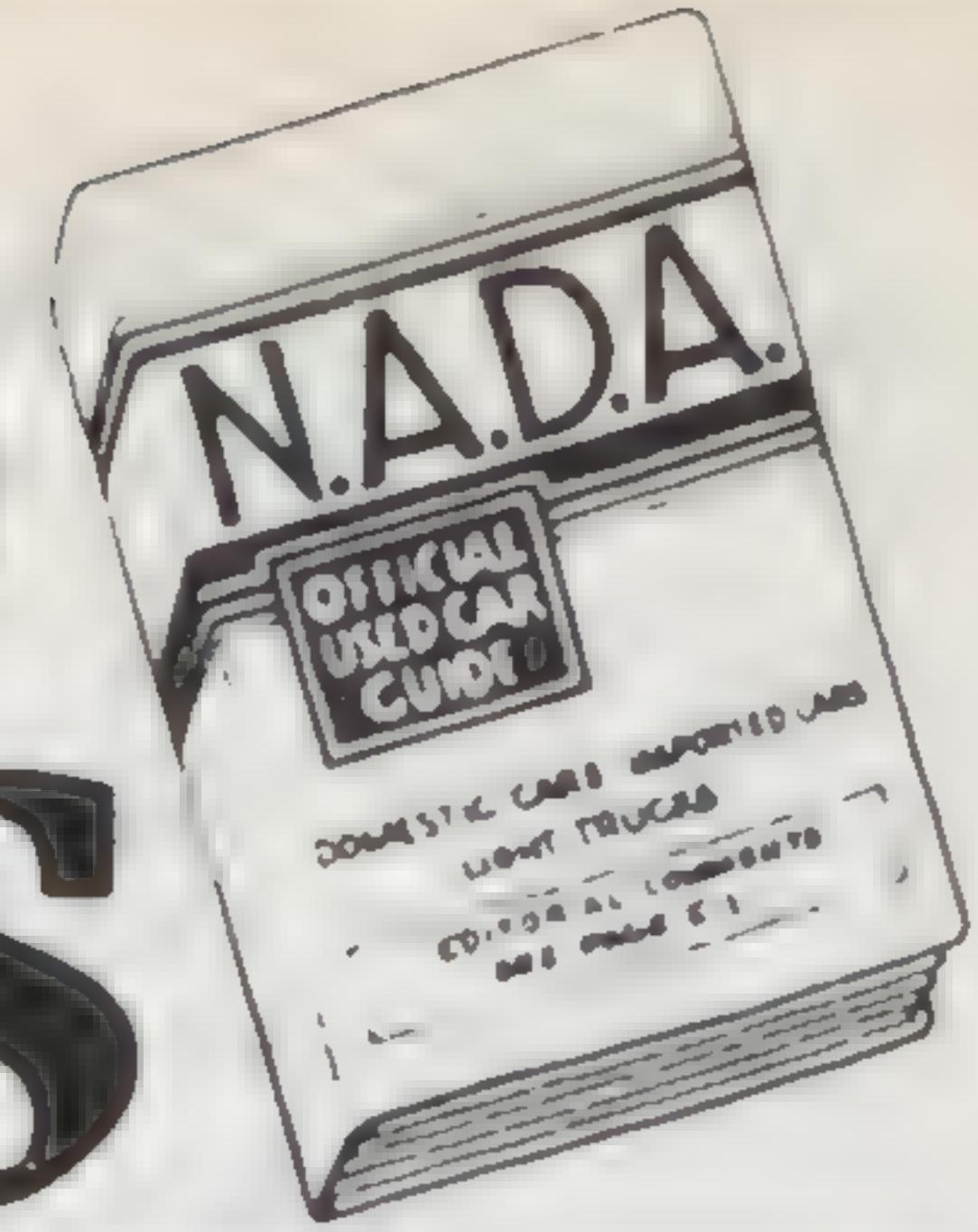
Furthermore, approximately two-thirds of 1982 model year cars have been granted waivers by EPA to meet a 7.0 gpm CO standard, after the agency determined that air quality would not be adversely affected. That waiver authority expires with 1982 models. Waivers of the 1.0 NOx standard have been granted for virtually all of the existing diesel models through 1984.

Small manufacturers (such as American Motors) are permitted to meet a 2.0 gpm NOx standard in model year '82. Under present law, beginning with model year 1985, all diesel-powered cars will have to meet the 1.0 gpm NOx standard. Manufacturers of diesel cars have indicated that technology currently does not exist to enable diesel cars to meet this standard.

The preceding information is but a fraction of the material contained in the MVMA pamphlet. If you would like a copy, please contact NADA's Legislative Department.

AE

USED CARS



The Scarcity of Supply

During February, I attended the Western Auto Auction Association Convention in Palm Springs and the NADA Convention in Atlanta. NADA lucked out in Atlanta: the weather was just about perfect and attendance was strong. A bad storm—say an ice storm—would have wreaked havoc upon over-the-counter registration.

In Palm Springs, we were at once host and guest—a nice arrangement. In Atlanta we were exhibitors for the *NADA Official Used Car Guide*. Along with the excellent weather, the two groups had another subject in common: the continuing shortage of nice low-mileage used cars.

People seemed surprised that there is a shortage of good used cars. Why? I suppose there are still many such cars around, but the owners are still driving them. And the longer they drive them, the less desirable they will be when they are traded. One can safely say that most used cars are generated by the new-car buying public. Because new-car sales are down—really down—is anyone astonished that used cars are in short supply?

There is no manufacturer of used cars; there is no control over supply. Even the leasing companies report that many lessees are keeping cars in service longer. the present situation is not going away; it will likely become more acute until new-car sales improve.

And if the present situation continues, dealers may have to learn to live with less-desirable cars.

As editor of the *NADA Guide*, I can tell you that the market data available to us is no longer as neat as it used to be. We have employed dealer sales reports for many years. This is well known. What may not be as well known is our reliance upon auto auction data. Dealers' wholesale reports have always been on the low side, and years ago we went to the auctions. Our market data includes both retail and wholesale averages.

For many years, there was a fairly acceptable spread between dealers' retail averages and the wholesale averages. When cars sold in volume were analyzed, the spread was a fair indication of gross, with certain costs allowed for. Today that spread is not as representative—it is greater. We could say profits are up, but observations at the auctions tell us something else. Many of the cars going through are not of the quality of a couple of years ago.

Many dealers stopped by our booth at the NADA Convention and commented that, with few exceptions, used cars were undervalued in the *NADA Guide* and, we might add, in other guides as well. If the dealer remained long enough to chat for a while, it usually developed that he was talking about "nice cars." Once rather suspects that "nice cars" will become

even more scarce unless, again, new-car sales return to somewhere near their former level.

We hear a lot of talk these days about "pent-up demand." I suspect the industry is misusing the term. During World War II, many Americans were saving a higher proportion of earnings because of a shortage of consumer goods. This was a time of forced savings. Add to that, some 10 million or more men and women in uniform saving their income.

Industry was capable of meeting this demand when the war ended, but it required time to fully convert from military production to consumer production. That was an excellent example of "pent-up" demand. The demand was there, the ability to buy was there and confidence in the future of the country was boundless.

Today's "pent-up" demand is of a different type. There is little doubt that there is a considerable *latent* demand, perhaps even backed up by an ability to pay. But there are two differences between the early 1980s and the mid-1940s. First, there is no shortage of consumer goods. Second, the attitude of the country is different. We are not the invincible power we were in 1945. We have been pushed around on the battlefield. Often on the defensive in foreign affairs, we cannot seem to get a hold on our internal economic problems and we are getting our brains beat out in certain

(Continued on page 46)

This column is prepared exclusively for automotive executive by James "Harry" Lawrence, editor of the *NADA Official Used Car Guide*. All comments or questions pertaining to this column should be mailed to: Used Cars, automotive executive magazine, 8400 Westpark Dr., McLean, VA 22102.

USED CARS



The Scarcity of Supply

During February, I attended the Western Auto Auction Association Convention in Palm Springs and the NADA Convention in Atlanta. NADA lucked out in Atlanta: the weather was just about perfect and attendance was strong. A bad storm—say an ice storm—would have wreaked havoc upon over-the-counter registration.

In Palm Springs, we were at once host and guest—a nice arrangement. In Atlanta we were exhibitors for the *NADA Official Used Car Guide*. Along with the excellent weather, the two groups had another subject in common: the continuing shortage of nice low-mileage used cars.

People seemed surprised that there is a shortage of good used cars. Why? I suppose there are still many such cars around, but the owners are still driving them. And the longer they drive them, the less desirable they will be when they are traded. One can safely say that most used cars are generated by the new-car buying public. Because new-car sales are down—*really* down—is anyone astonished that used cars are in short supply?

There is no manufacturer of used cars; there is no control over supply. Even the leasing companies report that many lessees are keeping cars in service longer. the present situation is not going away; it will likely become more acute until new-car sales improve.

And if the present situation continues, dealers may have to learn to live with less-desirable cars.

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Dealers Combat Drunk Driving with Public Service Programs

by Marv Hartwig

For years, a nationwide organization of new-car dealers has worked to protect the safety and preserve the automobility of hometown friends, neighbors and customers. That organization is the Dealers Safety and Mobility Council, an affiliate of the Highway Users Federation and a strong ally of NADA.

The Dealers Safety and Mobility Council is tackling two big problems in 1982--drunk driving and improper car maintenance. Both topics emerged as major safety concerns among the 4,000 new-car and truck dealers surveyed recently by NADA. More than 8,000 dealers, including truck, tire and RV dealers, are expected to participate in the council's programs this year.

Each issue is the subject of a self-contained, audiovisual presentation that council members can lend to citizen's groups or show in person. The film strips and sound cassettes are designed to trigger audience discussion, awareness and, even more important, personal involvement.

Together, the two packages form the nucleus of a unique audiovisual library on traffic safety being developed by the council. Plans are to continue adding to the drunk-driving and car-maintenance presentations with programs on other subjects in years ahead.

Handout brochures and a group leader's guide accompany each show. Promotional folders encouraging clubs and community groups to see or borrow the produc-

tions are included, with space for the dealer's imprint. Press releases and prepared speeches are also available.

In addition, dealers enrolling in the program will receive a special poster for their service area advertising the importance of regular car care, and a council membership plaque for the showroom.

The council's 1982 program puts dealers right in the limelight of community safety activities. At the same time, it provides private organizations with a much-needed source of traffic-safety information and educational materials. And that's more important than ever since the federal traffic safety budget has been cut. But let's take a closer look at this year's subjects.

As anyone who saw the CBS-TV

"Who is better qualified to accept this responsibility than those with such a huge stake in the well-being of their fellow citizens and customers?"

"60 Minutes" program on January 3 knows, growing public attention is being focused on drunk driving. Some 25 states are expected to strengthen their DWI laws this year. It's estimated that more than half of all fatal accidents involve alcohol abuse. So it's no surprise that NADA's survey showed most dealers consider drinking and driving to be America's No. 1 safety problem.

The council's "One Drink Too Many" package, available beginning in March, is aimed at helping communities reduce drunk driving. It explains why impaired drivers represent such a widespread threat, the responsibilities friends and families have to prevent drunk driving and the importance of proper police enforcement.

The 10-minute presentation is compatible with most film-strip projectors. A handout reinforces the points made in the film strip. The group leader's guide allows for audience discussion of the problem for 30 minutes up to an hour.

Also of concern to dealers is the traffic danger posed by poorly maintained vehicles. People who sell and service cars know that a well-maintained car is a safe car. But too many owners ignore that fact. So another part of the council's program focuses on car maintenance from the owner's viewpoint. This presentation should be especially popular among women's groups and driver education students.

"Car Care for Safety" is similar to the drunk-driving format, and will be released in September. It's an educational package with a new twist, because it teaches drivers how to listen for and recognize mechanical problems *before* they turn into major repair jobs. Owners will be helped in identifying specific malfunctions before they bring their vehicles into a service department. The program should help cut the time spent trying to diagnose trouble spots with the customer.

Local demand for the council's 1982 program is practically assured. Many national public service organizations, such as the General Federation of Women's Clubs, the National Association of Women Highway Safety Leaders, Future Farmers of America and

the Veterans of Foreign Wars, have already agreed to support the program. An advisory committee from these and other public-spirited groups helped slant the program for local use.

So far, more than 90,000 clubs and chapters of national organizations have been urged to borrow the 1982 package from area dealers. Others are being contacted. To help local clubs link up with dealers, the council's national office maintains a computerized list of participating dealerships and will direct interested program chairmen to dealer members of the council.

As you can see, the council's 1982 program is designed to put citizens in direct touch with local car dealers. In turn, this gives dealers the chance to become strongly identified with community interest in improving traffic safety.

After all, who is better qualified or motivated to accept this responsibility than those with a huge stake in the well-being of their customers and fellow citizens?

The enrollment fee to join the 1982 Dealers Safety and Mobility Council program is only \$42.50. That price covers everything: two audiovisual shows, support materials and full promotional back-up.

The council's blue-and-white membership plaque is an emblem of civic concern. It proclaims a commitment to creating a safer driving environment. And, best of all, it's good community relations.

I'm proud that my own Iowa City dealership belongs to the council, and I hope that you'll want to become an active member, as well.

For further information on the council's 1982 program and activities, contact John R. McCawley, Manager, Dealers Safety and Mobility Council, c/o Highway Users Federation, 1776 Massachusetts Ave., N.W., Washington, DC 20036.

Editor's Note: Marvin Hartwig is a Lincoln-Mercury, Datsun dealer in Iowa City, IA. He is a member of NADA's Board of Directors and was recently elected to the board of the National Institute of Automotive Service Excellence. AE

Business In Print

"Performance Measures for Growing Businesses;" by Stahrl W. Edmunds; Van Nostrand Reinhold; New York, NY; 1981; 247 pages; \$19.95.

Three ideas form the foundation of this practical guide to small business management. First, people running small businesses are often better managers than their counterparts in big business. Second, the toughest task of small businesspeople is getting all aspects of the business to work in harmony. Finally, performance measurement is the most effective tool that small businessmen can use to improve their management skills.

I tend to agree with the first point, and the second point is obvious to anyone who owns a small business. The third point is the one that's sticky.

Obviously, every small business manager should measure his or her results for each key task. Some of the measuring techniques recommended in the book are excellent, whether your business is large or small. The problem is that I can't get over the feeling that the author is really aiming his advice to the high-gross end of the small business spectrum. For example, in the area of measuring results, the author states:

"All right, so the manager is testing and measuring his performance against a plan. That is the essence of market control. The manager needs to make up reasonable goals and targets for his staff, assign tasks and budgets, and then check up on the results by watching the sales statistics as to performance. Sounds simple enough, doesn't it? But who is to know whether past experience is close to, or far from, the potential

sales that he should be doing... Can we estimate what the market ought to produce in the way of sales? The answer to this question requires market research."

Staff? Assign tasks? Even if your company is large enough to have a sales manager to whom you can assign some tasks, I'd like to know who has time to do this type of research. If one definition of small business is a company that grosses less than \$10 million annually, then Edmunds is addressing the folks in the \$8.5 million

and above class, not the owner-managers who somehow manage to find 27 hours in each day.

This aiming at the higher end of the scale is probably the greatest fault of the book. Although nearly all the suggestions about how to improve business are excellent, many of the examples and comments are inappropriate for the typical small business.

The bottom line becomes simple. Take the book out of the library if you need to check on performance measures for specific problems, but hold on to your \$19.95. **AE**

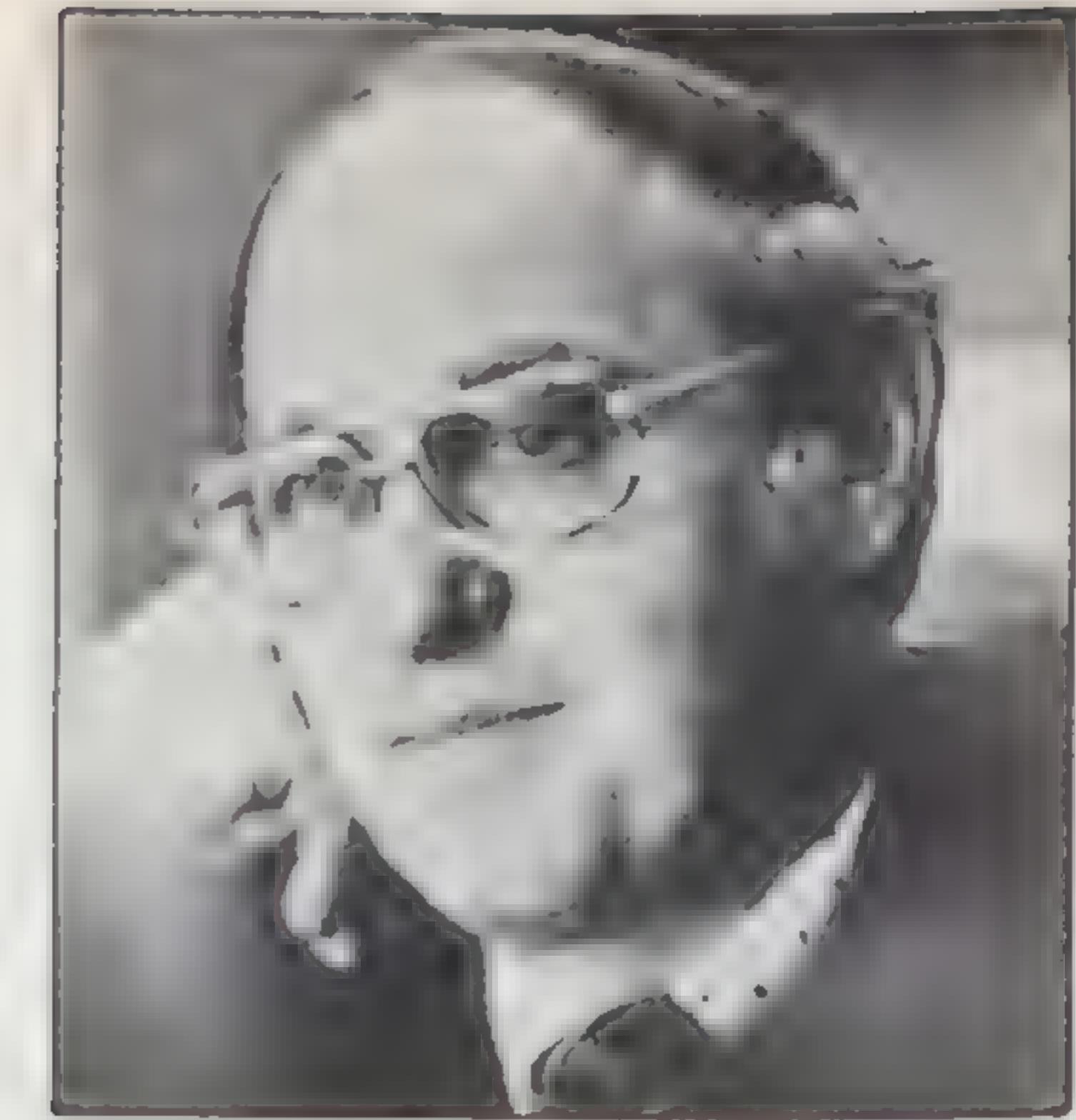
Here are the current Top Ten best-selling books for business. The list is based on sales figures obtained from retail bookstores throughout the United States.

- 1) "Theory Z;" by William G. Ouchi; Addison Wesley; \$12.95 (1)
A new theory on how to boost business productivity.
- 2) "The Soul of a New Machine;" by Tracy Kidder; Atlantic/Little, Brown; \$13.95 (2)
The creation and awakening of the microcomputerized age.
- 3) "How to Become Financially Successful by Owning Your Own Business;" by Albert J. Lowry; Simon & Schuster; \$14.95 (5)
Small business as a growth opportunity and inflation hedge.
- 4) "Inflation Proofing Your Investments;" by Harry Browne and Terry Coxon; Warner; \$3.95 (9)
How to prevent the dilution of invested capital.
- 5) "Money Dynamics for the 1980s;" by Venita Van Caspel; Reston Publishing; \$15.00 (4)
A guide for money management.
- 6) "You Can Negotiate Anything;" by Herb Cohen; Lyle Stuart; \$12.95 (7)
How to gain the competitive edge.
- 7) "The Money Lenders;" by Anthony Sampson; Viking; \$16.95 (3)
How international banking affects each of us.
- 8) "What Color Is Your Parachute?" by Richard N. Bolles; Ten Speed Press; \$6.95 (8)
How to change careers and jobs.
- 9) "William E. Donoghue's Complete Money Market Guide;" by William E. Donoghue with Thomas Tilling; Bantam Books; \$3.50†
Comprehensive "how to" for the money-market investor.
- 10) "The Art of Japanese Management;" by Richard T. Pascale and Anthony G. Athos; Simon & Schuster; \$11.95 (10)
Transferring Japanese experience to American managers.

() = indicates last month's position.

† = indicates a paperback previously on the list as a hardcover edition.

TAX BRAKES



Irving Blackman

Valuing A Family Minority Interest

For tax purposes, how do you value a minority interest in a family-controlled corporation when stock is transferred among family members?

Let's focus on the problem by discussing a hypothetical situation. Say you are a willing buyer. Joe Rich is a willing seller. Everyone—you, Joe, your lawyer, banker and accountant—agrees that 100 percent of Joe's business is worth \$1 million. Joe offers to sell you 40 percent of his business for \$350,000. Would you buy it? If yes, at what price?

Obviously, you don't have enough facts to give a definite answer. But logic tells you that the value of a minority interest—you won't have control—will be discounted. You know it, the courts know it, and even the IRS knows it. Then why all the fuss?

The answer lies in the sociological and economic facts of life. Approximately two-thirds of all family businesses are not sold but rather are transferred between family members. Whether the transfer is by a gift, bequest (transfer at death) or otherwise, that is what happens most often in the real world.

Each transfer has tax consequences—either income tax, gift tax or estate tax. The amount of tax involved, if any, is directly dependent on the value of the interest being transferred. More often than not, the amount transferred is 50 percent or less of the family

business. This means that the amount transferred is not enough for control. Therefore, is it entitled to a minority discount?

A recent case (*Estate of Mary Frances Smith Bright v. U.S.*) is a perfect example of the problem. Mr. and Mrs. Bright owned 55 percent of the stock of a closely-held business as community property (according to the law in the state where they resided). Mrs. Bright died. Her estate treated her 27½-percent share as a minority interest and took a discounted value for estate tax purposes. No way, countered the IRS. The proper valuation method is to value the entire 55-percent share (which would *not* be eligible for a minority discount) and use one-half of that value in Mrs. Bright's estate, IRS argued. The court rejected the IRS' approach and allowed a minority discount.

Obviously, the IRS is upset. This case and similar court cases have sided with the taxpayer. The results have far-reaching effects. For example, a father with 100 percent control could give 25 percent to each of his three adult children and find protection for a minority discount for each interest transferred in the courts. The IRS has served notice that it disagrees by issuing Rev. Rul. 81-253. The IRS takes the position in this ruling that when there is a gift of several minority interests that add up to a majority interest, the separate minority gifts will be valued as if a majority interest had been given.

Simply put, that would mean no discount.

So, the battle lines are drawn. Every owner of a closely-held business owes it to himself and his family to have a transfer-of-ownership plan in place for his business. It's in your family's best interest to get your plan onto the front burner as soon as possible.

Want to learn more about the ins and outs of valuing your business? Send for the special report: "How to Value Your Business for Tax Purposes . . . and Win the Tax Game." It is available for \$16 from Blackman, Kallick & Co., Ltd., 180 N. LaSalle St., Chicago, IL 60601.

A good way to take money out of your closely-held business. Many closely-held businesses own the real estate on which they do business. It is common knowledge that in most cases, your best bet is to have one or more of the family members (say a family partnership) own the real estate outside of the family corporation. The family partnership then leases the real estate to the family corporation at a fair rental. To hold up under IRS attack, the rent must be reasonable.

Now, here's the case you will probably want to follow. In 1969, Davis & Sons decided it needed a new warehouse. The shareholders obtained the land and the loans, then built the warehouse them-

This column is prepared as an automotive exclusive for *AE* by Irving Blackman, certified public accountant and attorney. All comments or questions pertaining to this column should be mailed to: Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.

selves. They leased the warehouse to the corporation at a fixed rental plus an additional 1 percent of gross sales in excess of \$4 million per year. When the lease was drawn, the corporation had gross sales of only \$3 million. Six years later, gross sales were nearly \$10 million. Result: about \$60,000 in rent was paid and deducted by the corporation. This is a good way to get additional money out of the corporation to the stockholders as a deductible expense instead of a nondeductible dividend.

The IRS had other ideas. It claimed the percentage rent should be disallowed as excessive rent paid to a related party. The Tax Court struck down the IRS, holding the lease was reasonable when the parties entered into it. Further, the court held that if the corporation wanted to keep using the property, it had to pay its rent. A full deduction was allowed for all the rent. (See Davis and Sons, Inc. v. Comm., TC Memo 1981-178.)

ESOPs—a minefield of problems. No, an ESOP is not a fable. Quite simply, an ESOP (Employee Stock Option Plan) is a qualified, deferred-compensation plan. An ESOP is similar to a profit-sharing plan, except funds are invested in the stock of the company (usually a closely-held corporation).

A trust (created by the plan) owns stock of the corporation and the participants in the plan (employees) ultimately wind up with some of the stock. Because ESOPs are capable of accomplishing some tax tricks (for example, a closely-held corporation can contribute its own stock, instead of cash, to the plan and get a deduction equal to the fair-market value of the stock), they offer some real savings to small companies.

But a 1981 case strikes fear in the heart of every company that currently has an ESOP. It is also a clear signal to every company that is about to or is thinking of putting in an ESOP to stop in its tracks. Here's the story I would prefer not to have to tell:

Two employees of Busted Inc. sued the trustees of their qualified plan, alleging the trustees had breached their fiduciary responsi-

bility by voting to have the plan invest in stock of the employer. The stock ultimately became worthless. The trustees fought back, arguing that under ERISA (Employment Retirement Income Security Act) rules, they were required to invest in such stock. The court held the trustees feet to the fire, saying the sole issue was whether the trustees acted "solely in the interest of" the plan's participants and with the care and diligence of a "prudent man."

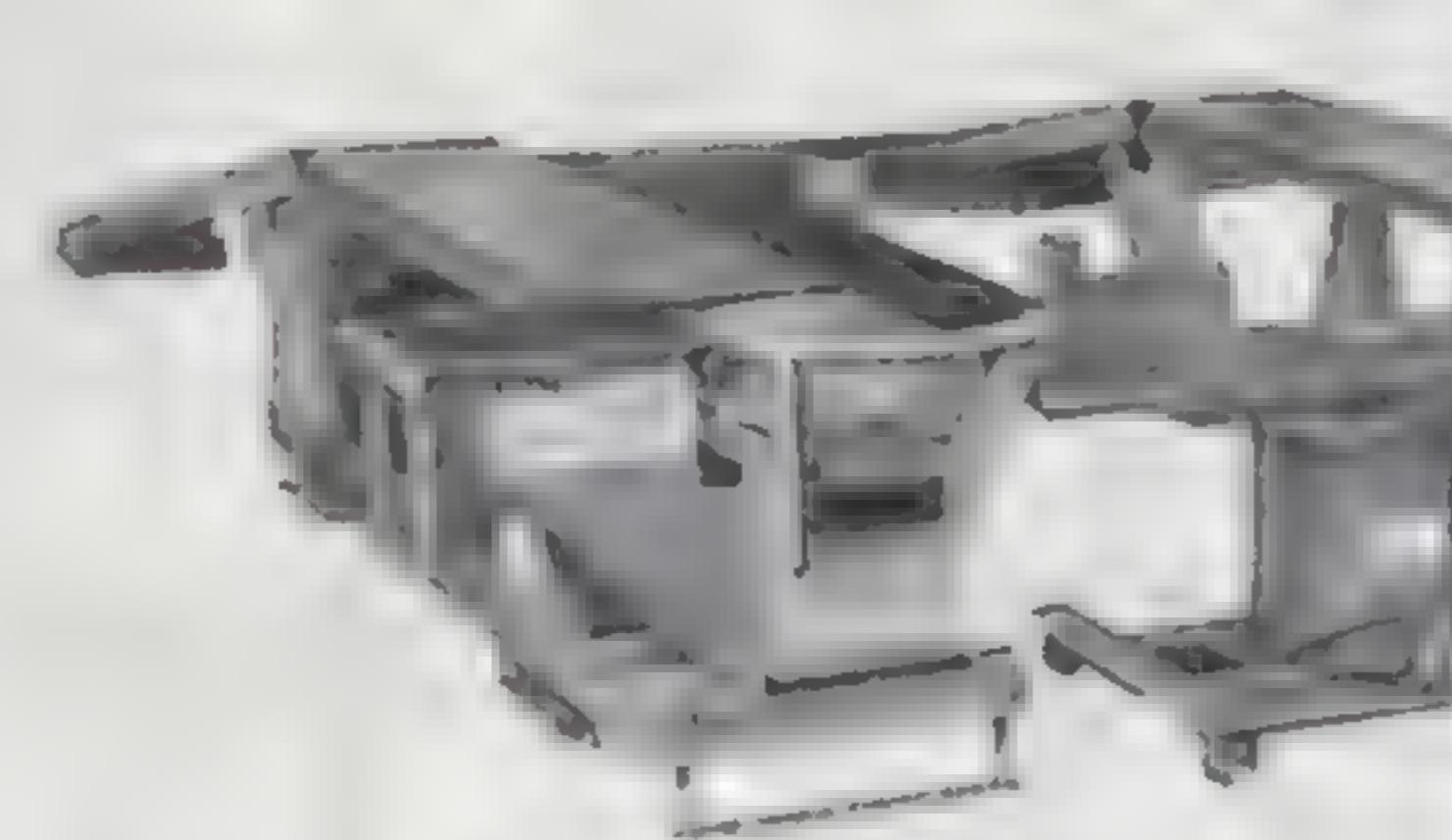
Let us summarize what the

court held: The trustees complied with the "prohibited transaction rules" under the law. That is fine. Yet such compliance offers no protection from the "fiduciary responsibility rules" under the same law. (See *Baker and Gross v. Smith*, E.D. Pa., No. 80-3067.)

Obviously, if ESOPs are to exist, the law must be changed. Until the law is changed, an ESOP trustee assumes personal responsibility for a company that goes belly-up. This unintended result will kill an outstanding tax concept. *AE*

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vey Klein, Phoenix; Tommy Thomas, Fremont; Ferrell Petty, Houston; Henry Stanley, Grove City; Jim Wheatley, Harrisonburg; Larry Brasher, Salt Lake City; Fred McConkey, Seattle; and Jim Seder, South Bend.

I am no authority on either the auction business or the insurance business, but I daresay Arnie and his associates felt there was a need for an endeavor of this type and set about to remedy the situation. Along the same lines, our organization recently undertook self-insured medical coverage for employees, laying off the big claims, of course, with a major insurer. Maybe this is the way things are heading.

Anyway, if you are interested, I am sure Arnie (or any of those mentioned) would be delighted to chat with you about it. The contact at Bayly, Martin & Fay is George Hill. His telephone number is (415) 451-9111. This is not a plug or an endorsement—just a courtesy to our friends and associates.

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Used Cars from page 38

segments of world trade. Personally, however, I am absolutely confident we shall rise again.

During the convention in Atlanta I went to dinner rather far out on Peachtree Street, and I returned in a cab after dark. The skyline was something else! Admittedly, it happened more than a century ago, but General Sherman once did an extensive "urban renewal" job on Atlanta. The city certainly has come a long way. In fact, the Atlanta of 1982 barely resembles the Atlanta that I was in and out of during the years of World War II—only 35 years ago.

In Palm Springs, a sensitive subject was discussed that was not on the agenda—odometer tampering. One gets the idea that the federal effort to eradicate odometer tampering is hardly more successful than an earlier federal effort to limit the consumption of alcohol. I wonder why laws are sometimes forced upon a society that neither wants nor needs them. Tell me, who really benefits from the odometer law, given the present state of enforcement? Æ

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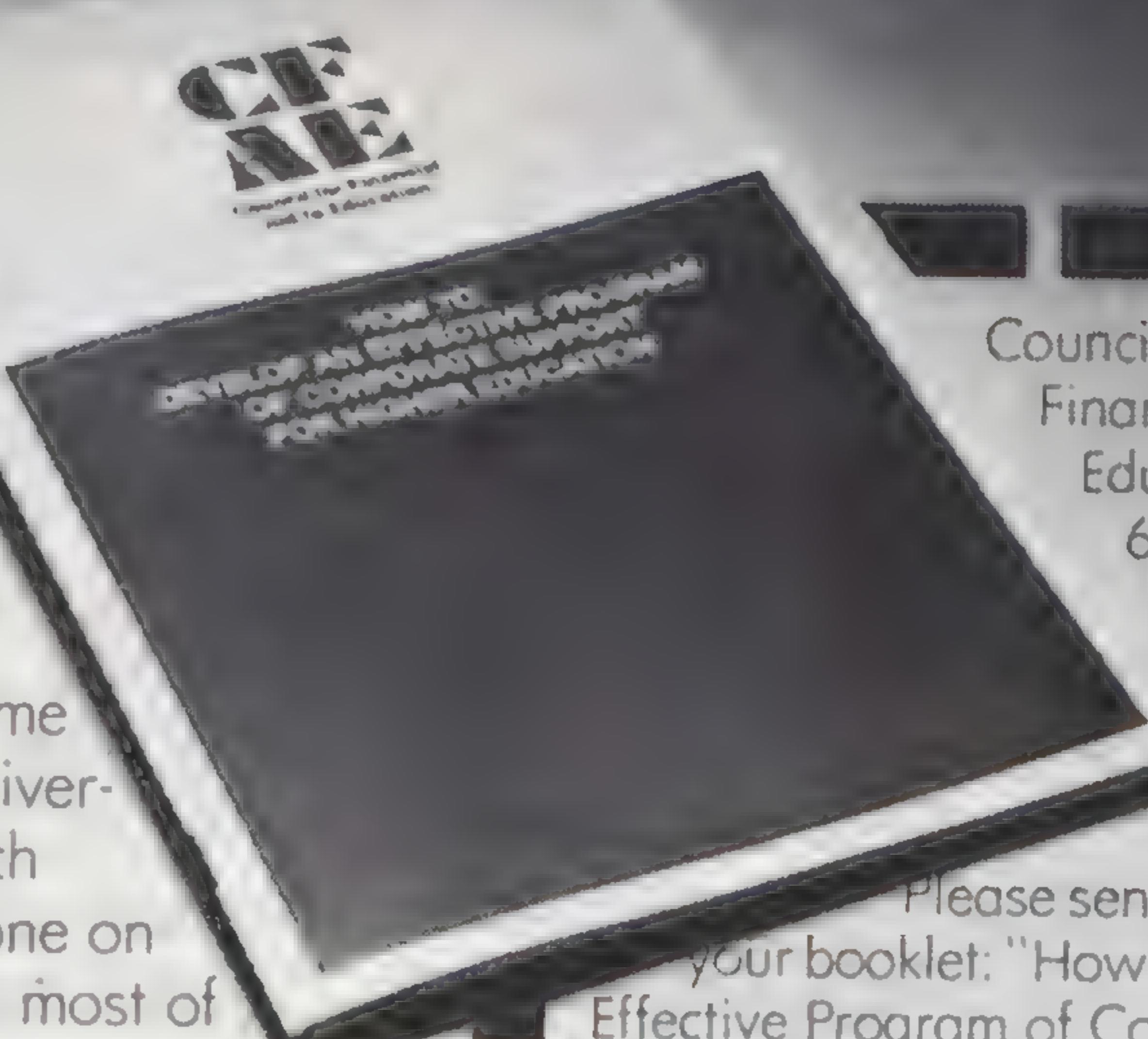
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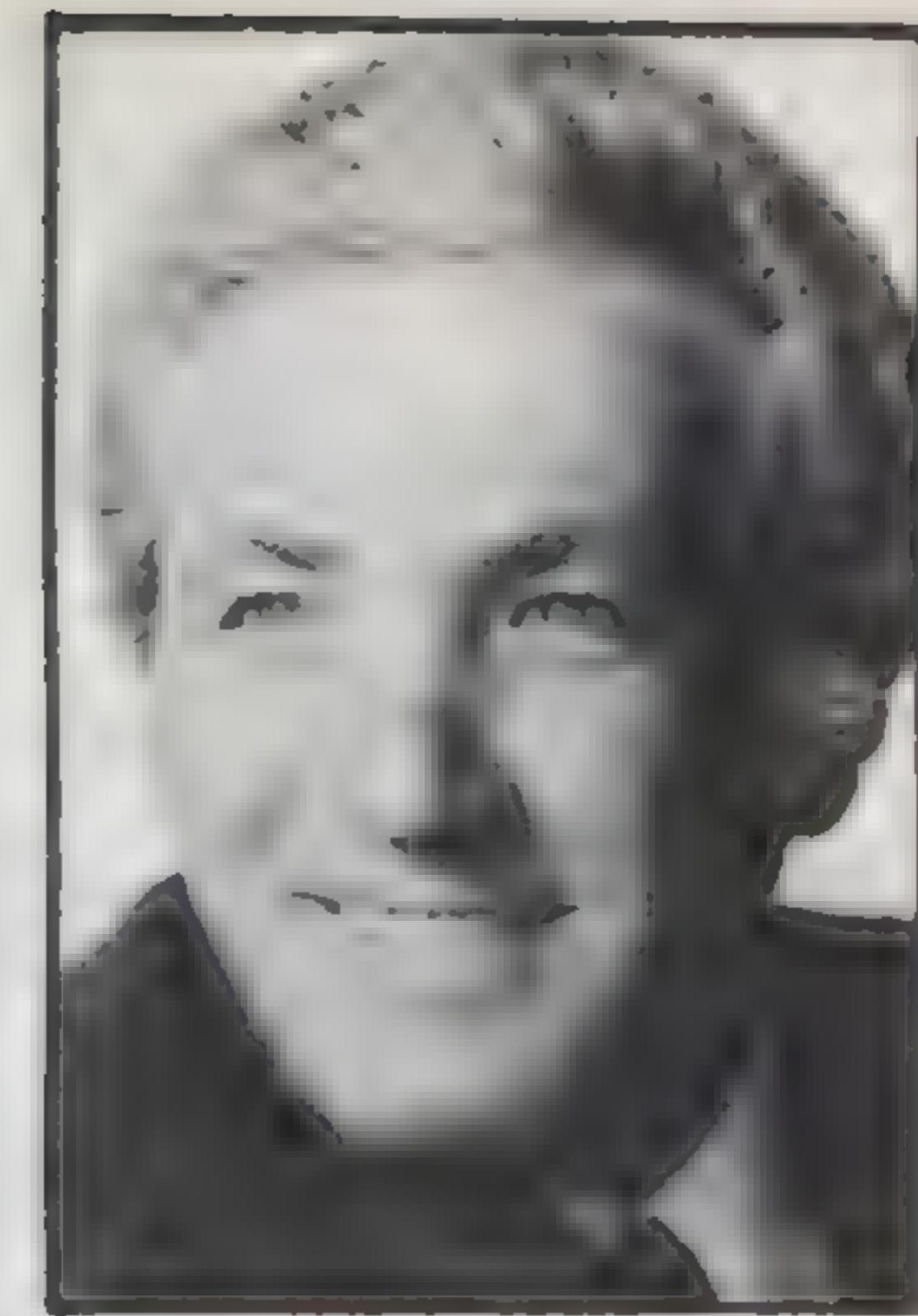
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Joe Girard

Objections

How many times have you seen a courtroom trial scene in the movies in which a red-faced attorney leaps to his feet and shouts to the judge, "I object!"

Many people think of objections only in terms of such courtroom fireworks. They regard objections simply as grandstand plays for attention.

Automotive salespersons, however, need to take objections seriously. When you are on the sales floor, you are in your own private court. The give-and-take between salesman and prospect is often of an adversary nature. You have something to sell and, in most cases, so does the customer.

There are bound to be any number of objections to what you are selling and the deal you are offering. The customer may or may not raise his voice; nevertheless, what he's doing may stand in the way of the sale.

There are two kinds of objections you have to overcome: real objections and smokescreen objections. Real objections can usually be dealt with honestly and quickly. I personally called them "Honest Johns," because I knew my customer was telling me point-blank what was on his mind. Here are some examples:

"I can afford it, but frankly it costs too much. I'm just not going to pay it!" You can handle an objection like this by sweetening the deal or by hitting harder on value and future worth at time of trade-in.

"I think you've got a good product and I like you personally, but I've heard some unpleasant things about your service. I'm not sure my car will get the service I want if I buy from you." A trip to the service department and a personal introduction to the service manager will usually allay this type of fear.

"So many cars are getting recalled lately because of production errors. How do I know that won't happen to me?" This is an opportunity to tell your quality story—quality of design, engineering, manufacturing and service. To do that you must know your product (a subject I'll talk about in an upcoming column.)

You can probably come up with a baker's dozen of "Honest John" objections. They're recognizable, and they can be handled on the spot by selling the quality, value, economy and reputation of the vehicle and of your dealership. A good sales presentation, a demo ride and careful qualifying in the first place are all you need to overcome the "Honest Johns."

The smokescreen objections are the ones that can cause trouble: *"Well, I'd like to look around a little longer . . . I really should talk this over with my spouse first. Maybe I'll hang on to my present car a while longer."*

You recognize the stalling. You probably have heard at least a dozen variations of this before. The point is that these types of statements are intended to *hide* something. Your challenge is to

determine what *really* is stopping the customer from buying.

What are smokescreen objections intended to hide? Let's consider the customer who says he wants to "look around a little longer."

Look around for what? A different make or model? If I've qualified the prospect correctly, I know what he *needs*, not merely what he wants. Is he looking for a fancier dealership? Has he fallen for some other make's glamorous TV ad?

Experience taught me one thing. People who shop around are looking for basically for one thing: the best price. They've got dollar signs in their eyes and padlocks on their pocketbooks. Price is the *real* objection.

But you have to clear away the smoke before you can tackle price resistance. You need to know how much shopping the prospect has done and what prices have been quoted to him. I always asked for this information, because I knew I could usually clinch the sale by giving the customer the best possible price. I'd rather make a little less per car and sell more of them than be greedy and just sell a few.

So, with *price* objections, no matter how smokescreened, I sharpened my pencil. I found out that was the quickest way to overcome the customer's objections.

I sent the customer out of the courtroom happy, and I soon found out he was sending back friends and relatives who also became customers. AE

"You have to look beyond the actual sale of this type of vehicle and see what it does for the dealership as a whole—especially in terms of floor traffic."

Specialty Markets from page 21

but aren't willing to assume the risks associated with antiques have opted for "replica" cars. Several firms, such as Shay Motors Corp. and Lafer Auto Sales Inc. manufacture these autos, which feature the authentic look of the classics but are, in reality, fiberglass reproductions mounted on current-day chassis.

These modern old-timers have proved to be solid attention-getters, without the high capital investment and other drawbacks inherent with *real* antiques.

Well up the ladder from replicas—but still outside the risky realm of antiques—are the vehicles some have dubbed "exotics." Exoticars appeal to affluent customers who don't mind spending from \$25,000 to \$60,000 to express their individuality. The elegance

of exotics such as the Excalibur, Diamante, Clenet and Golden Spirit hearkens back to the days of Cords and Duesenbergs.

"A lot of dealers are finding this a very good market to be in," said Robert Zimmer, president of Zimmer Motor Cars Corp., Pompano Beach, FL. Zimmer manufactures the luxuriously outfitted Golden Spirit.

"Dealers have been using our product this way (to bolster profits) for some time," he said. "It's a real traffic-builder and it also benefits the dealer's bottom line . . . Dealers need something like this to generate interest."

Zimmer said the car's retail price of \$59,500 has not been a deterrent to sales. "Even though economic conditions aren't as good as we'd like them to be," he said, "people with money still have

money, and they're willing to spend it. But they want something different. They want something that they're not going to see someone else driving."

And what does a customer who is willing to pay the price for an exoticar get for his or her money? Along with standard features such as air conditioning and cruise control, many of the exotics come equipped with expensive stereos, imported German leather in the interior, hand-finished wood steering wheels, teak running boards and lavish hood ornaments.

Most of the exotics are produced in limited quantities. Zimmer said his manufacturing facilities turn out only about 20 Golden Spirits each month. With the substantial profit a dealer can make off these models, however, it shouldn't take many sales a year to enhance the bottom line considerably.

Custom Conversions

For dealers who are not located in a market wealthy enough to make exoticars practical, custom conversions may be worth exploring. Custom conversions are standard Detroit models that have been retouched to make them



A 1958-59 Porsche D replicar by Lafer

more personalized. These personal touches may be as simple as the addition of customized wheel covers, pinstriping or a leather-covered steering wheel. More extensive modifications include the addition of a rear spoiler, wheel well flares, customized grille or running boards.

Some of the most popular conversions involve the top of the car. This may be a matter of adding padded vinyl portions to change the profile of the greenhouse, covering the entire top with a durable fabric to give a simulated convertible appearance, or replacing part of all of the factory roof with a hatchback section, T-top, sunroof or convertible top.

Some of the companies that provide customizing services include Cars & Concepts Inc., Trim-Line Inc., the Hess & Eisenhardt Co., American Custom Coachworks Ltd., Carriage Conversions, Mark III Conversions, Roman Wheel Conversions Inc. and Coach Builders Ltd.

When Detroit stopped producing convertibles a few years ago, the demand for ragtop conversions started to grow. Convertible conversion firms such as Coach Builders, Hess & Eisenhardt and Mark III stepped in to fill the void, and business has grown steadily ever since.

This trend shows no sign of tailing off, even though Chrysler has returned to the convertible scene with its LeBaron and Dodge 400 models and other Detroit automakers are ready to follow suit. In fact, Donald McCullen, president of Coach Builders Ltd., thinks the Motor City's reentry into the convertible business will actually expand the demand for convertible conversions.

McCullen is so high on his product's appeal that he figures sales for Coach Builders and its associated companies—Barrows Enterprises and Armbruster/Stageway—could easily double in 1982.

Two dealerships in widely scattered sections of the nation that have found convertible conversions to be a worthwhile endeavor are Don Lorenz Inc. (Buick-Olds-Pontiac-Cadillac-GMC), Greenfield, MA, and Hoff Cadillac, Virginia Beach, VA. The general managers at both dealerships told *AE* their convertibles serve a 2-fold

purpose: they build floor traffic and provide another line for potential sales.

Dick Mard, general manager at Lorenz, admitted his soft-toppers are not what you would call "hot" sellers. "Because the summer season in New England is so short, it's just not convertible country up here," Mard said.

"But you have to look beyond the actual sale of this type of vehicle and see what it does for your dealership image as a whole. When people are thinking about buying a car, many of them come to us because they remember our convertibles. And that's really all you can ask... Of course, these models are here for sale and we want to sell them, but they're not the kind of car you're going to sell every week. You have to look on them as long-term investments."

Down in Virginia Beach, Hoff Cadillac's general manager, Lloyd Childress, said he usually keeps one or two Eldorado convertibles on the showroom floor during the summer season to meet specialized demand.

"There are certain people who really want a convertible, and if you don't have one they'll go somewhere that does," Childress said. "If I were a dealer who was considering getting into the convertible conversion business, I think I'd take the prettiest car in my line-up and have it converted. It sure draws the traffic."

Hoff, which has from 6 to 10 conversions built each year, will be in line for factory convertibles when Cadillac starts producing soft-top Eldorados again in a couple of years. Childress, however, isn't sure whether this will curtail the dealership's conversion orders or not.

"Convertible conversions aren't that expensive," he explained, "and I don't know if the factory can build them any cheaper."

With the proliferation of companies offering convertible conversions, dealers may be uncertain about how to go about choosing a supplier. To help dealers make an intelligent decision, *AE* has compiled a shopper's checklist. The list is meant to serve merely as a guide. Dealers should talk with some of the firms' suppliers and with other dealers before making any decision.

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Here are some of the things to look for:

- **Request warranties.** Ask for copies of printed warranties. Both the buyer and the dealer deserve a statement of the builder's intent to stand behind its product.
- **Inspect plant facilities.** Visit the builder's plants and carefully inspect the kind of equipment, materials, operating and quality-control procedures the builder employs.
- **Assure builder stability.** Check the builder's length of time in business, his volume of production, record of growth, customer demographics, business associations and financial integrity.
- **Require prototyping competence.** Never sign an agreement until you have seen a working model. Be sure the builder has a solid reputation for design and prototyping competence, or that it retains a nationally recognized outside source.
- **Check spare parts inventory.** The builder's spare parts inventory should be sufficiently large to support the builder's volume of business.
- **Assure promptness of delivery.** Ask to see the builder's records showing the time between acceptance of orders and dates of delivery. Such records should show a consistency of timely delivery.
- **Avoid "front" money.** It is not necessary to make advance payments if you are dealing with a reliable builder. His possession of your car is sufficient security.
- **Don't try to undercut on price.** Ask to see published price lists. Don't argue about price unless you are ready to negotiate a "quantity discount." Quality and cost go hand in hand. A cut-rate price may result in a cut-rate product. Carefully compare conversion quality for design features and total execution when comparing prices.

So there you have it: a bird's-eye view of some of the products and guidelines dealers are considering in an effort to increase profitability. The extras range from motorcycles and dune buggies to antiques and customized conversions. They aren't meant to replace new-car business—just to supplement it. Such options may help make your cash register ring louder and more often. Æ

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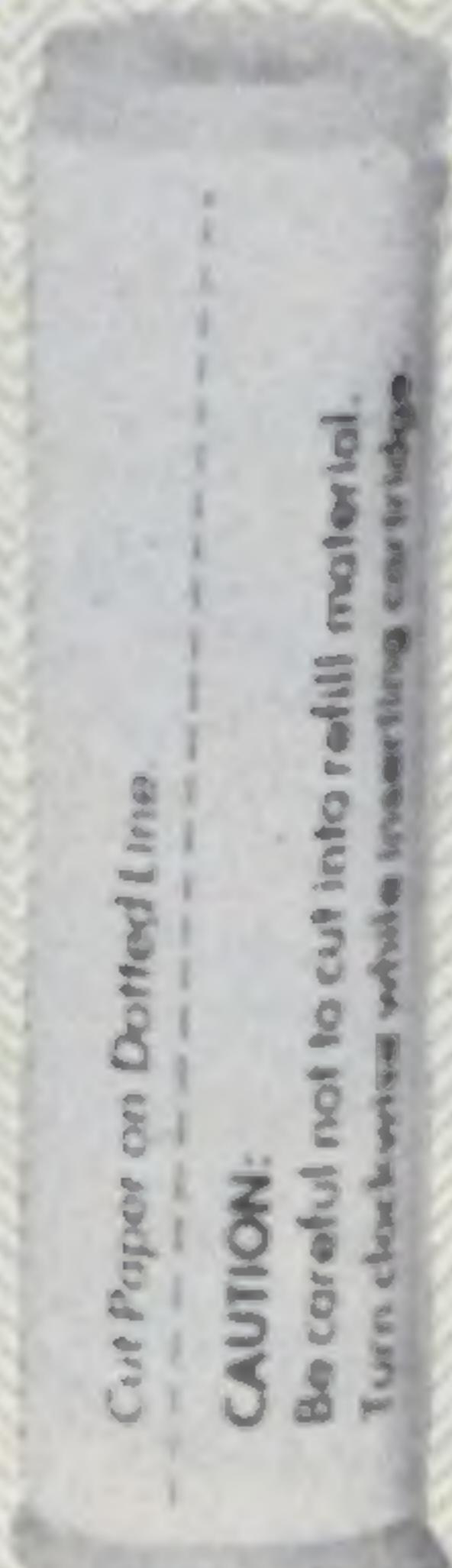
WHAT'S NEW ON THE MARKET



Super Lube Inc. has introduced a lubricant that gels on contact. Super Lube synthetic grease is colorless, non-staining and waterproof. The product is guaranteed to perform under extreme temperature conditions (-65 to 650 degrees Fahrenheit). Super Lube is available in small and large aerosols, 3-ounce tubes, 14.5-ounce cartridges and 1-pound tubs. Manufacturer: Super Lube Inc., 24 Davinci Dr., Bohemia, NY 11716.



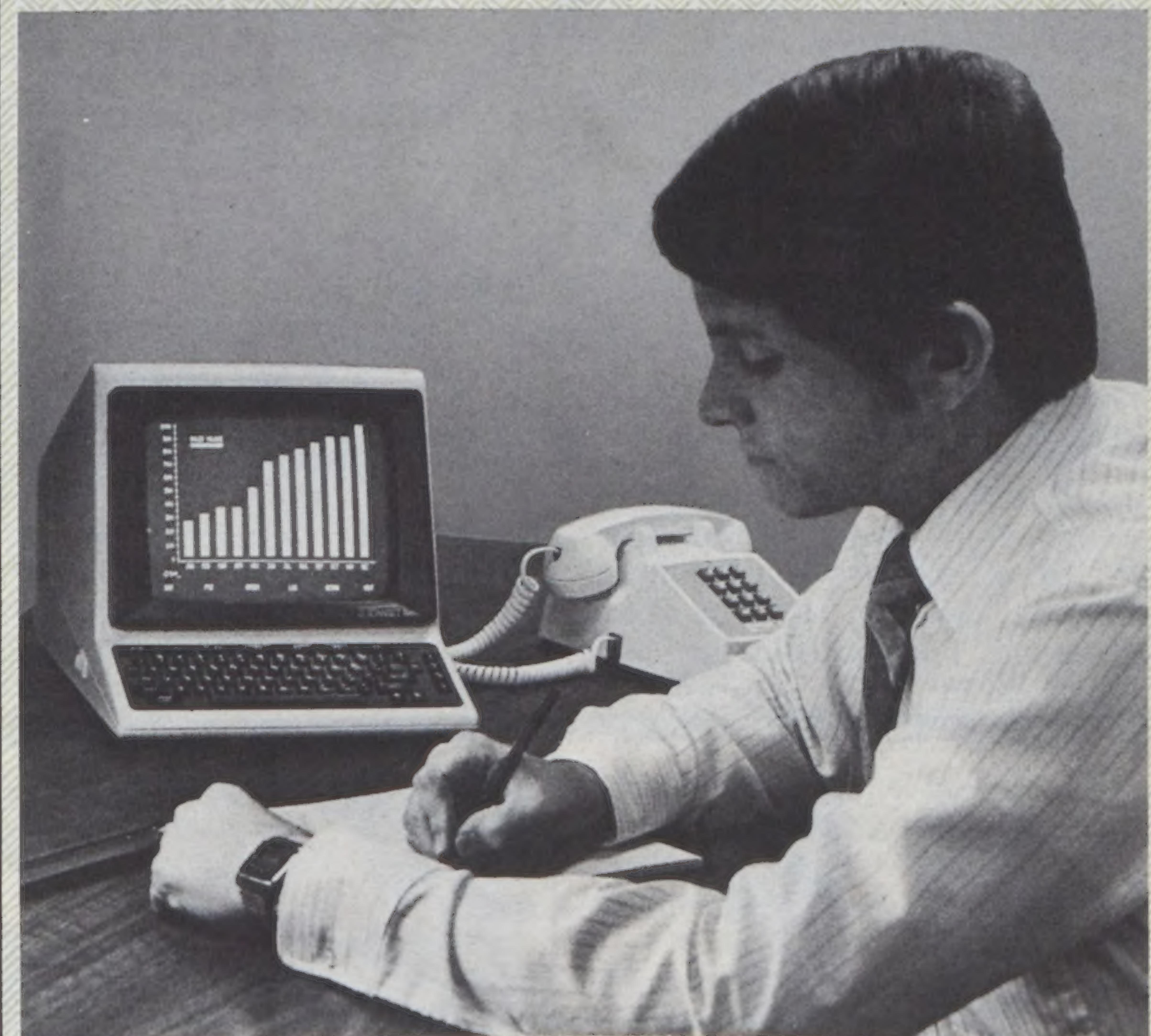
The L-100 water vaporizer is designed to keep water, dirt and oil from accumulating inside pneumatic tools. The L-100 filtering mechanism is placed in the air line six feet from the equipment or tool. A replaceable stainless-steel mesh and cotton filter inside the cylinder traps water droplets, dust particles, oil and dirt. According to the manufacturer, the filter will stop particles as small as five microns. Manufacturer: Lane V Inc., Reading, MI 49274.



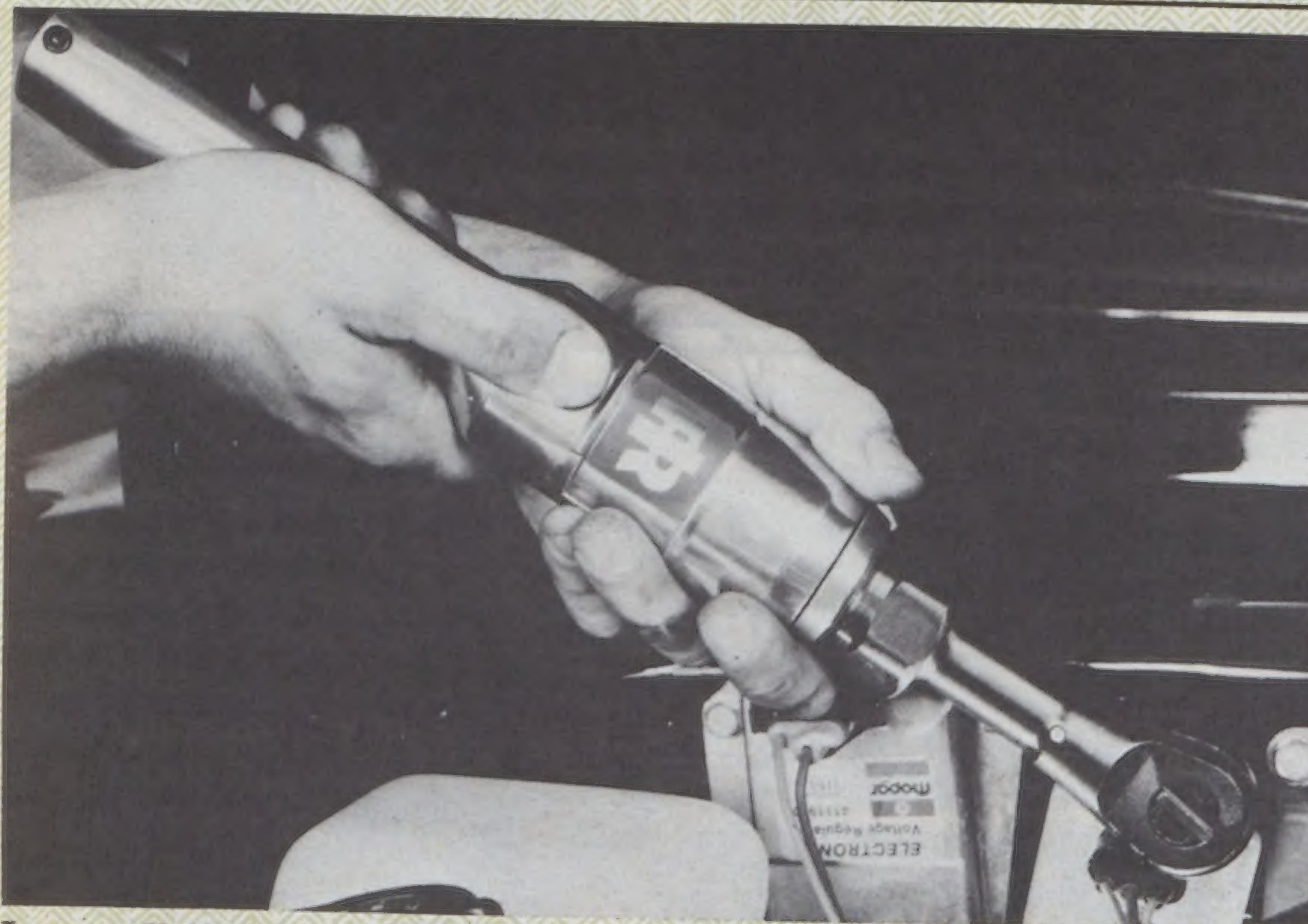
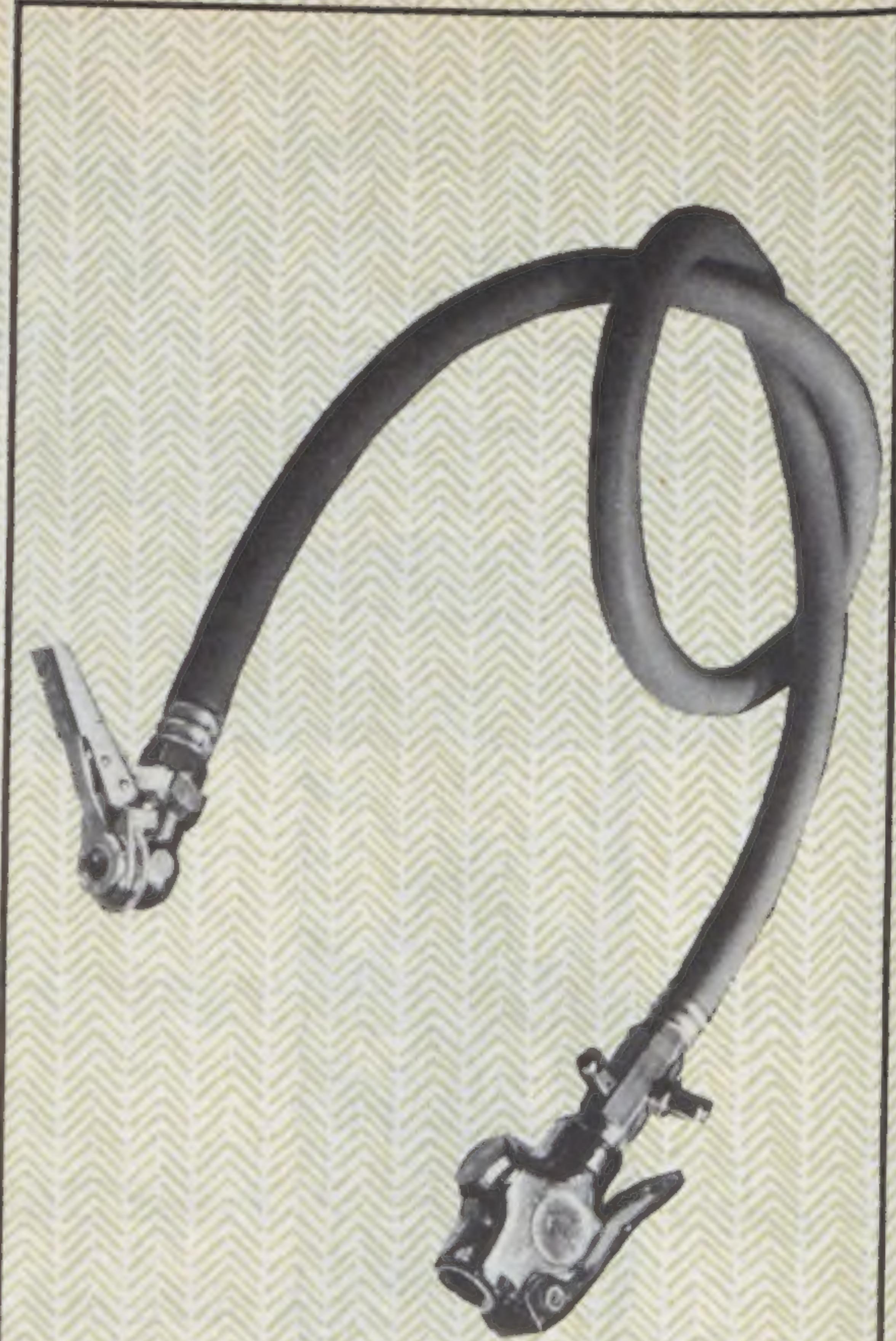
A new line of compact **computer terminals**, designed for 1-button information access, is being introduced by Tymshare Inc. Up to 12 tasks can be assigned to Scan-set terminals, giving the user access to a range of frequently needed data bases. The terminals feature 9-inch diagonal screens,

with 24 lines of text and 40- to 80-character line lengths. An auto-dialer feature can store up to 36 phone numbers in the terminal's memory, enabling the terminal to be connected to other data bases. Manufacturer: Tymshare, 20705 Valley Green Dr., Cupertino, CA 95014.

Information and photographs of products listed in Showcase have been provided via manufacturer's press releases. A product's appearance in this column in no way implies endorsement by either NADA, the NADA Services Corp., or automotive executive magazine.



Filter Minder, an air cleaner restriction gauge, is now available in a dash-mounted version. The gauge fits the standard 2-inch instrument hole, and is available in either chrome metal or black bezel. The Filter Minder continuously monitors the condition of the air filter and locks up at the highest point of restriction so that it can be read even after the engine has been shut down. Manufacturer: Engineered Products Co., 503 Ansborough Ave., Waterloo, IA 50701.



Ingersoll-Rand's battery-operated wrench offers workers the flexibility and portability of a hand tool with the benefits of a power tool. The Redi-Ratchet has a free speed of 110 rpm and a

maximum torque of 20 foot-pounds. The wrench has no power cord or air line. Manufacturer: Ingersoll-Rand, 253 E. Washington Ave., Washington, NJ 07882.

Eaton Corp. has come out with a new truck tire inflator that allows a mechanic to stand up to nine feet away from the tire being inflated. The Dill inflator uses a spring-loaded, clip-on chuck to grip the tire valve. The mechanic can then control filling at a distance with the thumb-operated inflator. This inflator is equipped with a finger-operated bleed valve to deflate the tire as well as a pressure check valve. The Dill safety tire inflator is available in 3-, 6- and 9-foot hose lengths. Manufacturer: Eaton Corp., 100 Erieview Plaza, Cleveland, OH 44114.



Chadco's new Mileage Mizers, permanent tire pressure monitors, enable motorists to easily check tire pressure. The monitors attach to the tires' valve stems. When pressure drops, a white piston at the top of the cap recedes, denoting under-inflation. The Mileage Mizers are suitable for tires ranging from 22 to 45 psi. Distributor: Chadco Inc., Box 724482, Atlanta, GA 30339.

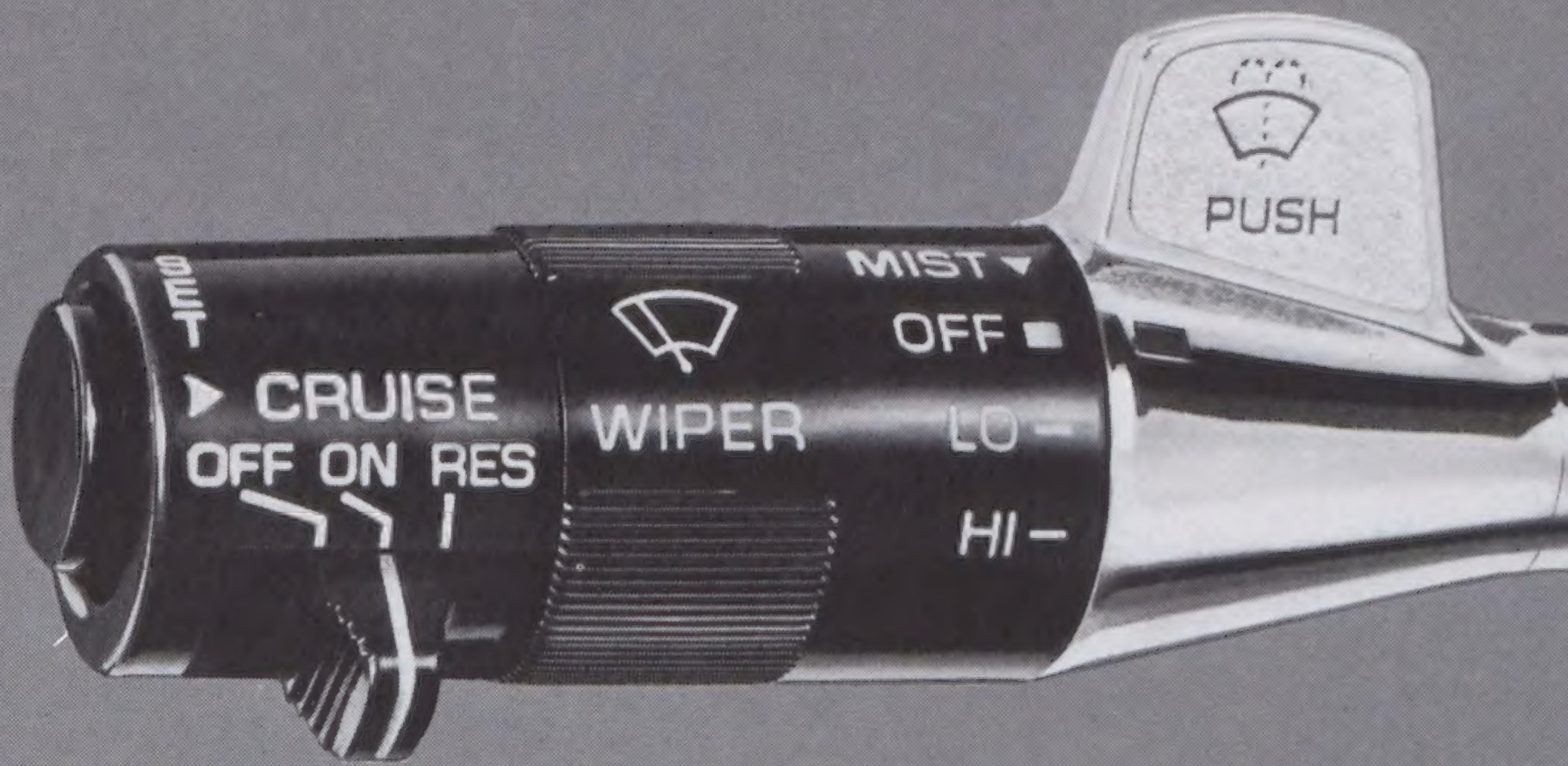


Sybert Manufacturing Co. has introduced the Iron Mule truck bumper. The Iron Mule comes with a 4,000-pound-capacity winch, a self-aligning trailer hitch and a self-contained loading boom, normally stored within

the bumper. The 77-inch loading boom has a lifting capacity of more than 500 pounds. The system is powered by a 12-volt electric motor. Manufacturer: Sybert Manufacturing Co., 1910 Bible Rd., Lima, OH 45804.

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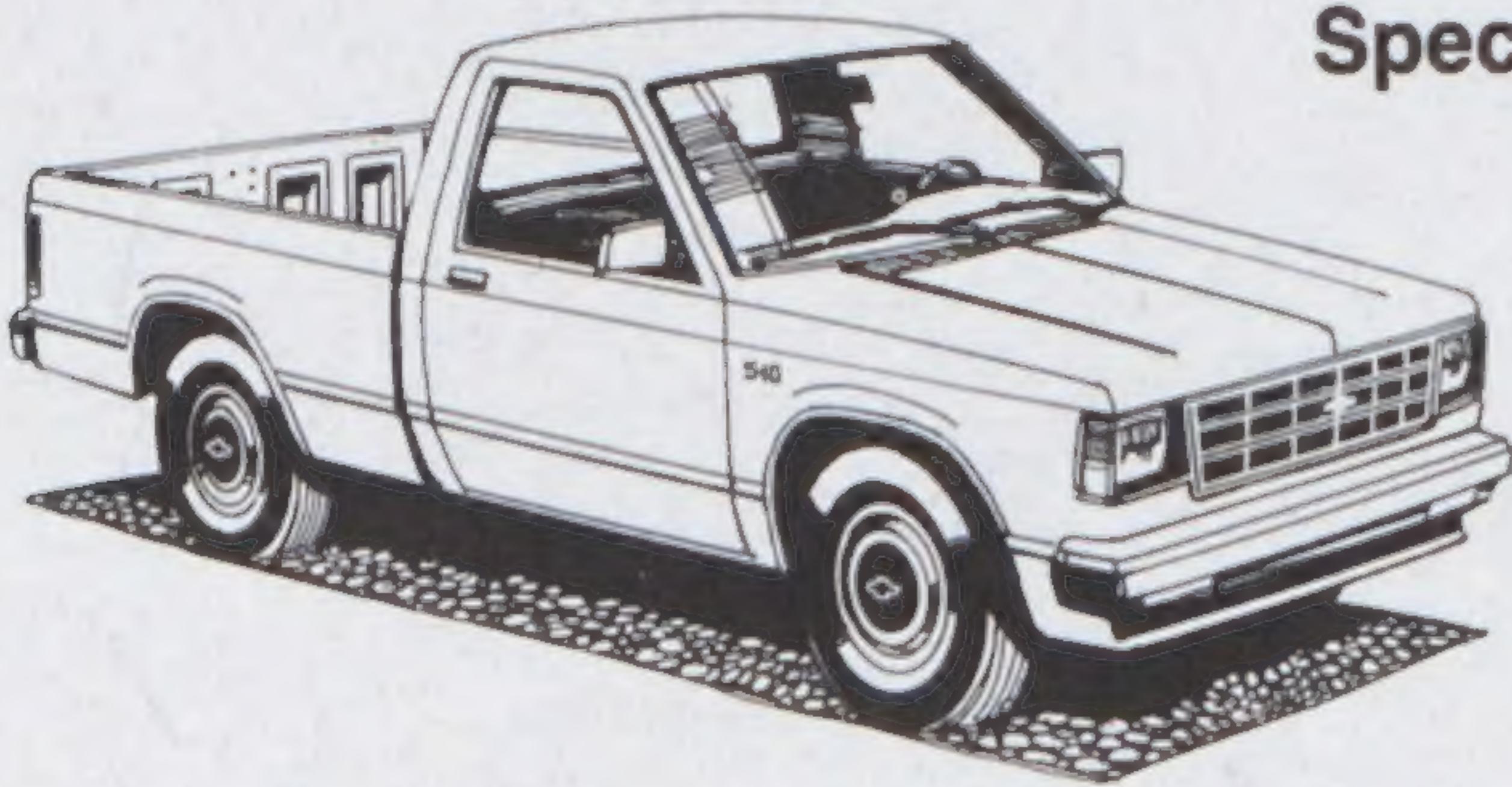


For years, AC Cruise Control (K-35) has been a popular option on light-duty trucks. Now GM dealers are ordering it at a record pace on their new smaller S trucks—for a lot of good reasons...

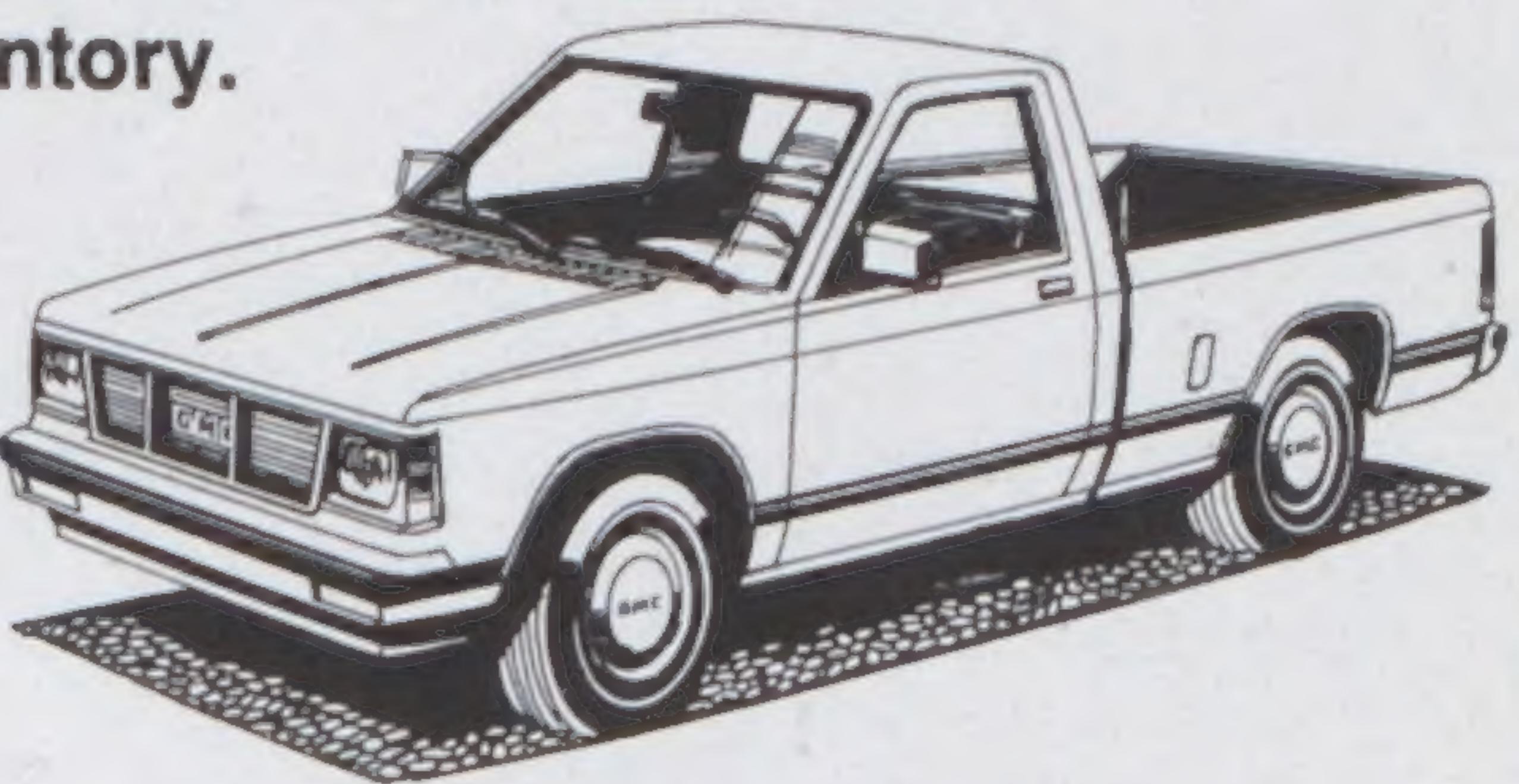
• Cruise Control can add profit for the dealer...and value for the customer at resale time (according to recent Blue Book, Red Book and N.A.D.A. Used Car Guides).

- It can be set to maintain lower, fuel-saving speeds.
- AC Cruise Control provides the added convenience of the "Resume Feature."
- It's easy to sell from inventory because people try it and like it.
- AC Cruise Control is specifically engineered for the GM vehicle in which it is factory-installed.

Specify K-35 for your demos and inventory.



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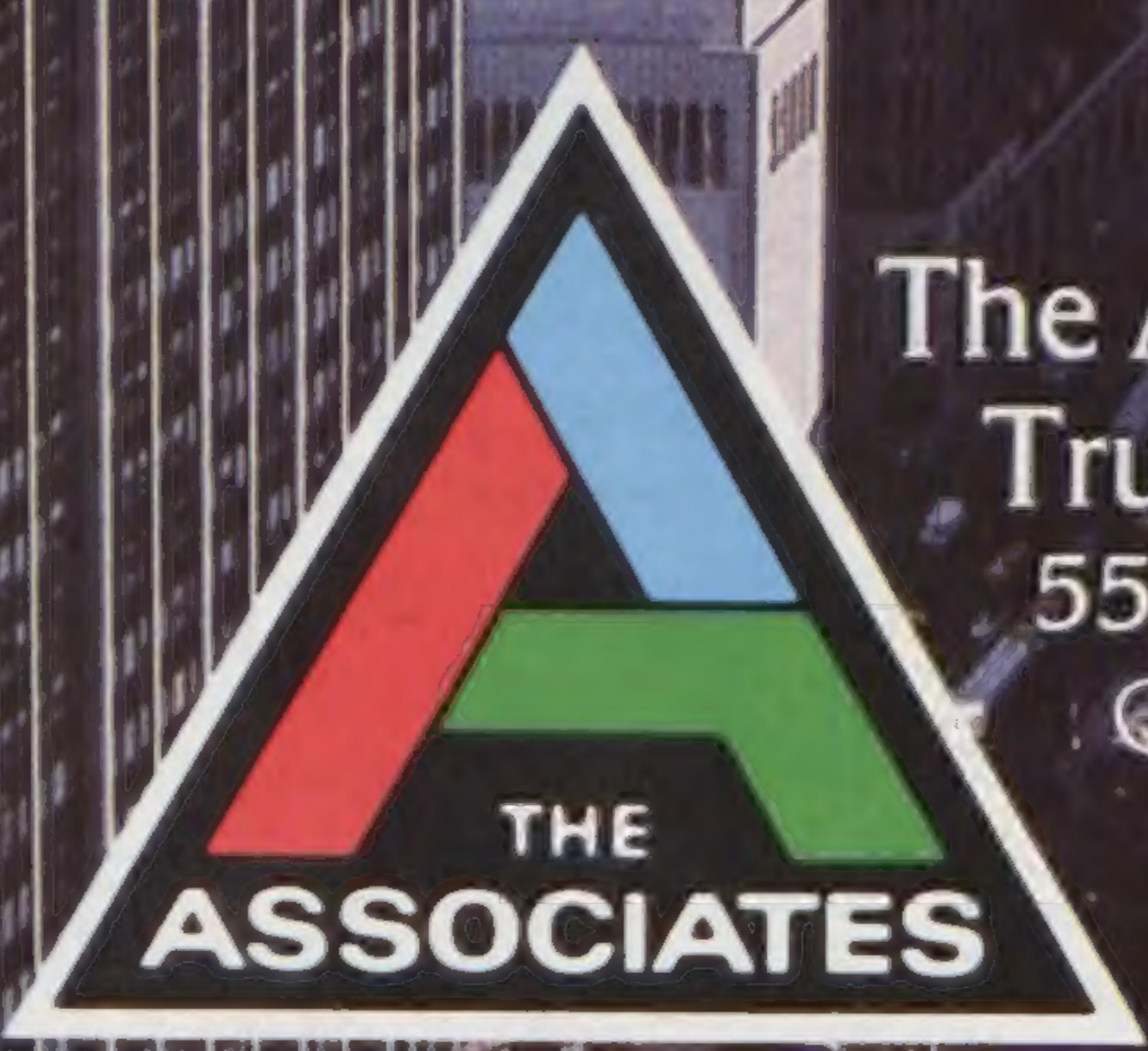
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